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Japan Inc

Shaken by slump, but surviving

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Poverty

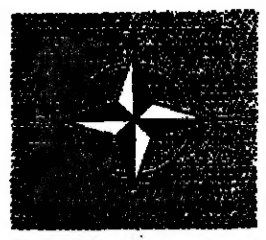
Why poor countries fail to grow

Martin Wolf, Page 10

France's Minitel

Meeting the Internet challenge

Technology, Page 8



Nato's future

Russia still the main threat

Page 2

World Business Newspaper http://www.FT.com TUESDAY AUGUST 20 1996

Germans held over Libya nerve gas venture

Two German businessman have been arrested and a warrant it out for a third for allegedly helping Libya's chemical warfare programme, it emerged yesterday. The charges, coming seven years after Germans helped Col Gadaffi build an entire poison gas plant, are likely to embarrass the Bonn government. Police suspect that the men had adapted equipment to make nerve gases similar to the lethal type released by terrorists on the Tokyo subway last year. Page 12

Sentence deferred: Sentence on James McDougal, one of President Bill Clinton's partners in the Whitewater real estate venture, has been delayed for three months while he "co-operates" with investigations into corruption in Arkansas. Page 3

Kidnapped executive freed: A Japanese executive kidnapped by armed gunmen in Tijuana, Mexico, has been released, his company said. Bandits abducted Mamoru Konno, president of Sanyo Video Component Corp USA, on August 10 and demanded a $2m ransom. It is not clear whether Sanyo paid up.

Citibank Asia head quits: Antony Leung, head of Citibank's Asia-Pacific private banking operations is resigning to join Chase Manhatten. His move comes only a week after another senior private banking executive announced her departure. Page 13

Telefónica LatAm talks end: Spain's Telefónica has broken off discussions with AT&T and GTE over the possibility of the US companies' taking a stake in its Latin American operations. Page 13

Japanese property prices fall: Property prices plunged again in Japan last year, with the National Tax Administration Agency reporting a 47 per cent drop in average prices since the end of the 1992 boom. The fall will add to the government's problems with its debt reduction programme. Page 12; Surplus falls 38%, Page 5; Japan's limited revolution, Page 11

Ammunition blown up: Nato soldiers blew up the first batch of hundreds of tonnes of contraband Bosnian Serb munitions at Margetici, near Sokolac. The operation went ahead despite Serb criticism and at least one threat.

Carmakers negotiate: German car group Mercedes-Benz and Porsche are negotiating a deal that would let Porsche sell an upmarket version of Mercedes-Benz's new sports utility vehicle. The move could strengthen co-operation between the Stuttgart-based companies. Page 13; Polo continues drive into Japan, Page 4

Royal family ponders change: Britain's royal family is considering changes that would bring it into line with Europe's other monarchies. It could mean ending the ban on the monarch marrying a Catholic and equal rights for women to succeed to the throne. The discussions come at a time of increasing pressure for reform. Page 12; Editorial Comment, Page 11

Names scrap challenge: Rebel Lloyd's of London Names scrapped an attempt to force a review of the insurance market's rescue plan but did not rule out future legal action. Page 7

Iran plans own 'Disneyland': Iran is planning to build a $200m amusement park outside Tehran with facilities "the same style as Disneyland", Iranian newspapers reported.

London's Globe prepares to open:

Finishing touches are added to London's replica Globe Theatre as it prepares to open its doors tomorrow for its first season of Shakespearean drama. The theatre, conceived 25 years ago by the late American actor-director Sam Wanamaker, has been built on the south bank of the River Thames close to the site of the original Globe of the 16th century. Page 6

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Britain believes US-Germany agreement favours Americans

UK rejects open skies plan

By Michael Skapinker in London

The UK government says it is not prepared to sign an "open skies" agreement with the US similar to the one the Americans struck with Germany earlier this year, because Britain believes that accord was biased in favour of the US.

The UK and US are due to resume talks next week in Washington on a new aviation agreement. Failure to reach a deal would scupper British Airways' planned alliance with American Airlines.

Both governments are anxious to agree a deal before the US presidential elections in November, but UK officials say the US will have to make concessions.

One UK official said: "They are as obdurate as ever. They want everything and they want to give nothing. With the American elections coming up, the schedule is rather tight."

The US has demanded an open skies agreement with the UK before it will approve the alliance between BA and American which would create the world's most powerful aviation partnership. It would link American's vast US domestic network with BA's long-haul routes and its strong position at London's Heathrow, the world's busiest international airport. The two airlines would account for 60 per cent of UK-US flights. They would co-ordinate their schedules and share revenues from transatlantic services.

The two sides differ, however, over the meaning of open skies. To the US, it means the right of any of its carriers to fly to any point in the UK, including Heathrow, and onwards to third countries. The German agreement embodied this principle.

However, the UK says it will not sign such a deal. "What the US has is a standard open skies template," says a UK official. "But we do not accept that the American version of open skies is the only one or the correct one."

The UK says it will not grant "beyond rights" for passenger flights, which allow US carriers to fly within the European Union aviation market, when foreign airlines do not have the right to fly between two points in the US. It might grant US freight airlines some beyond rights from the UK, but these are unlikely to be as extensive as the Americans would like.

The governments' dispute is one obstacle preventing the BA-American partnership. Another is opposition to the deal from several US carriers, including USAir, in which BA holds a 24.6 per cent stake.

USAir has started legal action to block the alliance, saying it is anti-competitive. Observers in the US say airlines opposed to the deal represent a powerful group which the White House will hesitate to upset in an election year.

The BA-American plan is also being investigated by regulatory authorities on both sides of the Atlantic. The UK Office of Fair Trading is due to meet United Airlines officials today to discuss its concern that it will not receive sufficient access to Heathrow.

Lex, Page 12

Australian budget protest turns violent

By Nikki Tait in Sydney

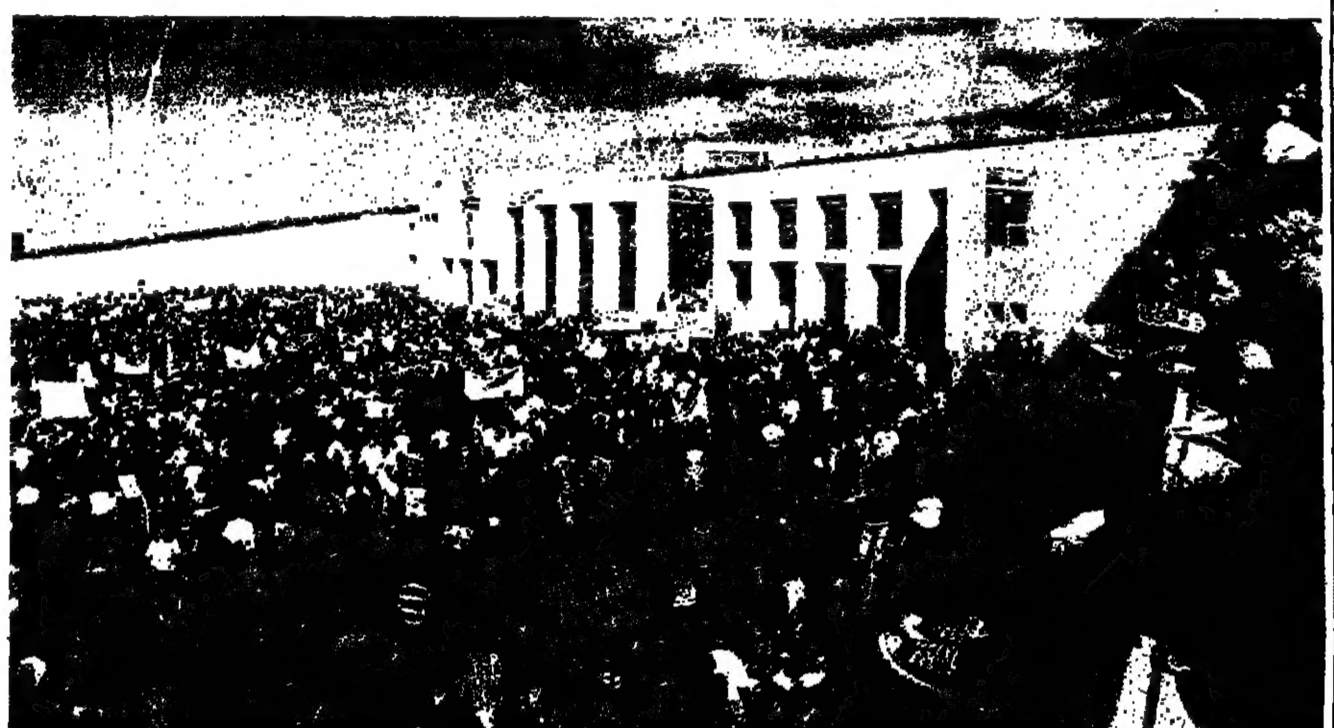
Angry demonstrators stormed Parliament House in Australia yesterday on the eve of the conservative federal government's first budget, but financial markets rallied in anticipation of tough measures.

The ugly scenes came during one of the largest political rallies seen in Canberra, the capital. About 15,000 people massed in front of the parliament buildings to protest about proposed changes to the industrial relations regime and cuts in the public sector.

Today's heavily foreshadowed budget is expected to outline A$8bn (US$6.2bn) of spending cuts over two years, equivalent to about 2 per cent of gross domestic product. The Liberal-National coalition government, which in March won a landslide election after 13 years in opposition, claims that the cuts are essential to balance Australia's budget by 1998-99, and offset a very low household savings ratio.

But some cost-cutting measures unveiled in advance of today's package – ranging from a squeeze on Aboriginal funds to increased higher education charges – have generated angry opposition among union and Aboriginal leaders.

In contrast there was growing euphoria on financial markets. Bond prices rallied, with the yield on the benchmark 10-year bond closing at 7.90 per cent, down from 8.06 per cent on Friday. On the stock market, the All-Ordinaries Index rose 28.2 points to close at 2,261.5 – 80 points off its record high. Markets were encouraged by a decline in merchandise imports in July, leading economists to predict the current account deficit for the month could stand at A$1.2bn-A$1.3bn, similar to June's better than expected A$1.29bn.



Australian demonstrators gather yesterday at Parliament House in protest at the conservative federal government's first budget which is due to be delivered today. Some protesters, carrying sledgehammers and a battering ram, stormed the building Picture: Reuter

The Canberra demonstration was echoed by peaceful marches and rallies involving more than 10,000 people in Adelaide and Brisbane.

In the capital, the mood turned violent when protesters tried to break through police lines and into the main foyer of the parliament building.

Glass was smashed, and police – some armed with riot shields – abandoned efforts to keep the doors closed.

Some rioters carried sledgehammers, while others wielded a battering ram. Inside the building, a gift shop were broken into and stock ransacked. There were numerous minor injuries among both demonstrators and police, who accused protesters of throwing acidic liquid in their faces. One policewoman was taken to hospital with broken ribs.

Several protesters got within 100 yards of the office of Mr John Howard, the prime minister. Mr Howard later said he would not be swayed by violence, which he condemned as "un-Australian". He called off a meeting with trade union leaders on the grounds that the government would not negotiate under duress.

Mr Bob McMullan, opposition Labor spokesman on industrial relations, distanced his party from the violence but said the demonstration had been "a powerful expression of concern by working men and women".

Chechnya peace deal at risk as fighting continues

By John Thornhill in Moscow

The Chechnya peace agreement was in doubt last night as rebel Chechen fighters accused federal Russian forces of violating the deal by launching a series of attacks on the centre of the regional capital of Grozny.

But it was unclear whether Russian forces were launching a general assault on Chechen strongholds or simply trying to re-establish contact with stranded pockets of soldiers. Russian military officials in Moscow denied their forces had launched an attack but the acting commander of Russian forces in Chechnya, General Konstantin Pulikovsky, warned they would begin large-scale military operations against the rebels in 48 hours.

Amid reports of sporadic gunfire, Chechen officials said the rebels had beaten off one attack, destroying Russian armour and inflicting casualties, while there was fierce fighting close to the city centre.

The conflicting claims came after Mr Boris Yeltsin, Russia's president, issued a set of seemingly contradictory commands on Chechnya to Mr Alexander Lebed, his national security chief, adding to the confusion that has marked Moscow's handling of the 20-month conflict.

According to the presidential press service, Mr Yeltsin yesterday instructed Mr Lebed to restore law and order in Grozny to the position prevailing before the separatists' latest assault earlier this month – suggesting a further escalation of fighting.

But Mr Yeltsin also demanded that Mr Lebed should continue to withdraw troops from the region and present proposals to settle the conflict within one week. Mr Lebed has repeatedly stressed there can only be a diplomatic resolution to the war.

Correspondents in Grozny report that the Chechen fighters have exploited the fragile ceasefire to reinforce their

Continued on Page 12

AT&T heir apparent leaves to head US phone venture

By Richard Waters in New York

The man widely tipped as the next head of AT&T, Mr Alex Mandl, left the US long-distance telephone group yesterday for the chance to make his fortune in the country's fast-changing local telephone markets.

Mr Mandl's departure, to run a new venture, leaves the US's third-biggest company searching outside the group for a replacement at one of the most difficult times in its history.

AT&T is in the middle of spinning off its equipment manufacturing and computer businesses, Lucent Technologies and NCR. Mr Mandl was named president and chief operating officer only last October, which put him at the centre of shaping the group's remaining operations as it prepared for deregulation of the US telephone market.

The departure was amicable and did not reflect any falling out with Mr Robert Allen, AT&T's chairman, Mr Mandl and the company said. Mr Mandl said he had been lured by the chance to run a new company in an industry about to undergo considerable change.

The US's $100bn local telephone business, at present the preserve of a handful of companies, will be the first area of the telecommunications industry to be opened to full competition, probably early next year. Association Communications, the company Mr Mandl will head, plans to offer local data transmission, video conferencing and Internet access services to businesses in many US cities by the middle of next year.

Mr Mandl, 52, compared his decision with that of Mr Jim Barksdale, who gave up the job of chief operating officer at McCaw Cellular two years ago to run Netscape Communications, an Internet software company that became the US stock market's most spectacular entrant last year. Initial enthusiasm for Netscape pushed the value of Mr Barksdale's stock to more than $400m on paper, though the shares have since fallen.

Mr Mandl has been credited with bringing an aggressive style to the staid executive suite of AT&T, which traditionally had picked its leaders from within its own ranks.

A former chairman of Sea-Land, a shipping company, Mr Mandl's appointment as AT&T's chief financial officer in 1991 marked a rare break with tradition.

AT&T said it had started a search for a replacement for Mr Mandl, and had listed several candidates.

AT&T's shares fell $1¼ on the news, to $54. Stock in Associated Group, a Nasdaq-listed company which owns a majority stake in Associated Communications, jumped $3½, or 14 per cent, to $29.

Telefónica ends talks on US link, Page 13

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,691.67	(+2.22)
NASDAQ Composite	1,132.12	(-1.53)
Europe and Far East		
CAC40	1,996.21	(+6.09)
DAX	2,582.76	(+14.4)
FT-SE 100	3,863.7	(-8.2)
Nikkei	21,196.41	(+272.41)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.173%
Long Bond	99½
Yield	6.787%

OTHER RATES

UK: 3-mo Interbank	5 23/32%	(5 23/32%)
UK: 10 yr Gilt	96	(96⅛)
France: 10 yr OAT	106.47	(106.3)
Germany: 10 yr Bund	99.93	(100.03)
Japan: 10 yr JGB	98.2219	(98.9759)

NORTH SEA OIL (Argus)

Brent Dated	$21.99½	(21.28)

GOLD

New York Comex (Dec)	$392.4	(391.4)
London: close	$388.6	(386.2)

DOLLAR

New York lunchtime		
£	1.5445	
DM	1.48675	
FFr	5.09825	
SFr	1.20855	
Y	107.83	
London:		
£	1.5455	(1.5483)
DM	1.4882	(1.4935)
FFr	5.0906	(5.1025)
SFr	1.2071	(1.2117)
Y	107.95	(107.89)

STERLING

DM	2.30	(2.3124)
Tokyo $ close: Y	108.025	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira60	Spain	Pta250
Denmark	DKr18	Israel	Shk7.50	Norway	NKr22.00	Sweden	SKr20
Egypt	E£6.60	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM16.00	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils650	Portugal (m'land)	Esc340	Turkey	L90,000
Germany	DM4.00	Lebanon	U$3.00			UAE	Dh12.00

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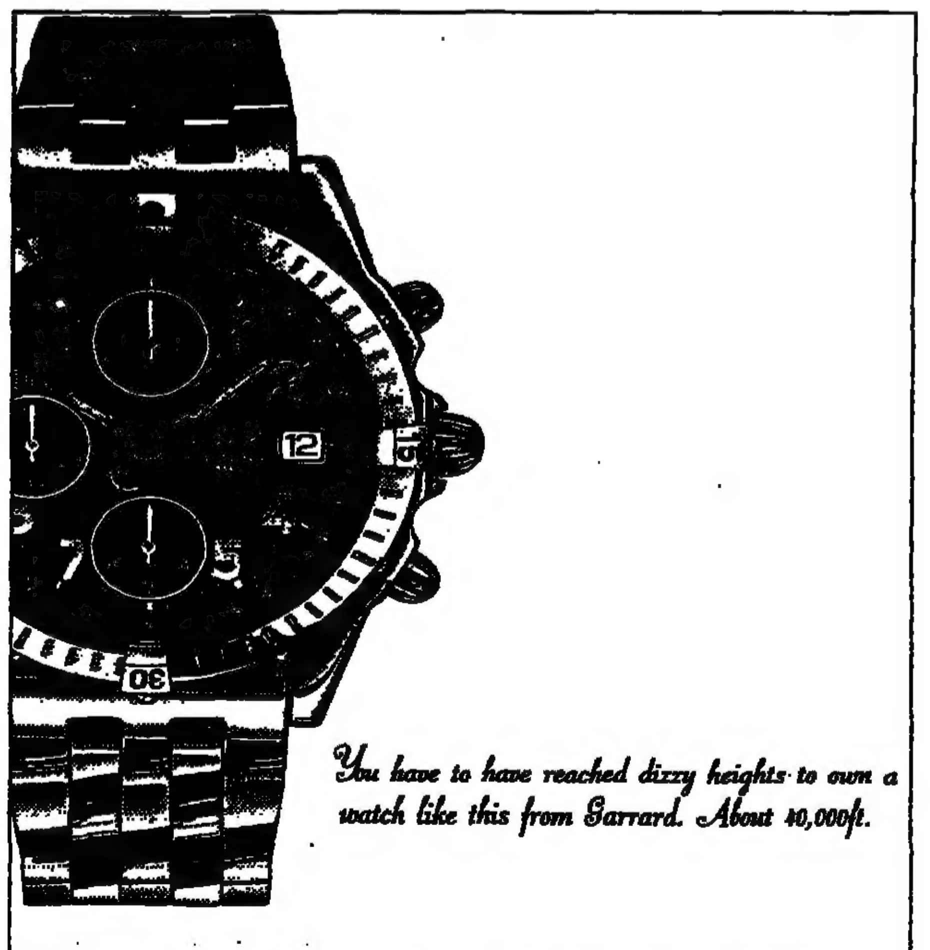

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Brussels pressed to clear VW aid

By Peter Norman in Bonn and Neil Buckley in Brussels

The European Commission is expected to come under renewed pressure today to approve DM241m ($162m) of disputed state aids for investments by the German carmaker Volkswagen in Saxony.

The economics ministry in Bonn said Mr Günter Rexrodt, the minister, who returned to work yesterday after illness, would be telephoning Mr Karel Van Miert, the competition commissioner, to discuss the bitter row that has pitched the Brussels competition authorities against Volkswagen and the Saxon government in Dresden.

Bonn has condemned Saxony's payment of nearly DM92m to Volkswagen in defiance of a Commission ban. But it supports the state government in its belief that Volkswagen is entitled to investment support totalling DM780m to help create employment and strengthen the eastern state's industrial base.

In the Bonn view the investment assistance is permitted under article 92, paragraph 2c of the European Union treaty, which allows state aids to help rebuild eastern Germany.

Mr Rexrodt's imminent involvement in the dispute comes after three weeks in which the temperature has risen on both sides, with both Saxony and the Commission threatening to take the issue before the European court.

The Saxon economics ministry said yesterday the state's challenge to the ban was in the final stages of preparation. In an interview with yesterday's issue of the German news magazine Focus, Mr Van Miert said the Commission was prepared to take VW to court if it used the disputed funds.

Although Mr Rexrodt will today be investigating possibilities for a settlement with Brussels, any eventual legal challenge to the Commission decision by Saxony would probably be joined by Bonn.

The economics ministry said yesterday the federal government had still to decide its course of action. But it would be virtually unprecedented for a German state to launch court action against the Commission without backing from Bonn.

Mr Rexrodt's ministry expressed some puzzlement over Mr Van Miert's threat to exclude Volkswagen from tendering for public contracts if it spent the DM92m received from Saxony. It doubted whether a legal basis existed for such a ban.

The Commission said yesterday it was up to competing car manufacturers bidding for public contracts to take action in national courts to exclude Volkswagen from the tender.

It said it did not have power to step in and exclude VW, but rivals could apply to national courts for orders barring the company on the grounds that it was breaking EU law by accepting illegal state aid.

The Commission said it had also opened two further inquiries into aid for east Germany. One regarded plans to allow investment aid of 8 per cent to east German projects to be paid until the end of 1998. The other concerned the extention to west Berlin of special rules on investment aid and write-offs originally designed to cover only the former east German states.

Opel beats Japanese at own game in Europe

By John Griffiths

General Motors' Opel car plant at Eisenach in eastern Germany is the most productive in Europe. It beats the Japanese "transplants" in the UK and Spain and even Fiat's new facility at Melfi, according to an annual comparative productivity audit by the Economist Intelligence Unit. Eisenach last year produced 71.9 cars per employee, a sharp rise on 59 the year before and well ahead of the 64.3 at second-placed Melfi.

The EIU audit takes into account significant differences between plants in the range of operations carried out and the complexity and mix of vehicles produced.

It ranks Nissan's UK facility at Sunderland third, with 56.7 cars per employee last year; Honda's UK plant at Swindon fourth (55.9); and Toyota's Burnaston facility, also in the UK, sixth with 52.1 - just below Ford's Spanish plant at Valencia (52.9).

While Nissan's UK facility this year is marking its tenth anniversary, those of Toyota and Honda are still building up production and have yet to reach their full potential, the EIU study points out. It expects the Sunderland plant's performance to improve this year as the result of the introduction of a new Primera model, but not enough to prevent it being overtaken by Honda at Swindon because of rising demand for Honda's Civic and Accord models.

Despite their progress, all the European plants continue to fall well short of the best productivity levels in Japan. The best-performing Japanese plant, Mitsubishi's Mizushima facility, achieved 117 cars per employee. Four others also beat Eisenach.

"Despite Japan's recent difficulties, this confirms that European plants still have a long way to go to catch up," the EIU said, forecasting nevertheless further big productivity strides at European plants this year. The audit attributes Eisenach's success to the introduction of Japanese production methods ahead of other GM facilities in western Germany and North America.

Europe's worst-performing plants include Rover's at Longbridge in the UK, with 27.8 cars per employee last year; Peugeot's Sochaux and Poissy facilities, with 22.2 and 21.2 respectively; and Volkswagen's Wolfsburg plant with just 17.6.

Contained in Motor Business Europe (quarterly) – 3rd quarter 1996. Annual subscription £495; $945. The Economist Intelligence Unit, 15 Regent St., London SW1Y 4LR

France under new threat of strikes

By David Owen and Andrew Jack in Paris

A senior French union leader yesterday fired a warning shot across the bows of the increasingly jittery government, suggesting a repeat of the strikes which all but paralysed the country last year.

Mr Louis Viannet, secretary-general of the Communist-linked Confédération Générale du Travail, told the business newspaper Les Echos he supported calls for demonstrations by unions as early as September.

It would be wrong to suppose the objectives of last winter's actions "belonged to the past," he said. "The battle continues." He highlighted growing signs of unrest in the financial services sector, education and more generally across the public sector.

In remarks that appeared timed to maximise government discomfort after a week in which Mr Alain Juppé, the prime minister, had been forced to interrupt his holiday to defend the franc, Mr Viannet complained that the government had "inverted its priorities". "We have moved from developing jobs to reducing public deficits," he said. "It is the politics of the dog trying to bite its tail."

In a suggestion that union reaction to further unwelcome government moves could be more widespread than last year, he promised to "do everything" to ensure actions by workers in the public and private sectors "converged". Last year's strikes were confined to the public sector, particularly the railways, and were marked by pronounced inter-union rivalry.

Union leaders know that the government can ill afford a repeat of last year's crisis if it is to stand any chance of lowering its general financial deficit from 5 per cent of gross domestic product last year to 3 per cent in 1997, in line with the Maastricht convergence criteria for European monetary union.

In June, the Organisation for Economic Co-operation and Development forecast France would only reduce its deficit to 3.7 per cent in 1997, although further measures have been taken since then.

In the face of growing pessimism about its ability to hit the 3 per cent target, the government yesterday refused to comment on newspaper reports it was scaling back its proposed programme of tax reductions.

It said a decision would not been taken until the start of next month. However, it stressed it remained committed to a reduction which would affect all taxpayers, suggesting it would have to reduce the proportion of income paid in each tax band.

Russian nuns take apples sprinkled with holy water at Moscow's newly built Christ the Saviour cathedral yesterday, the date also of a traditional apple celebration *Reuter*

Muscovites celebrate city's giant act of faith

By John Thornhill in Moscow

It was perhaps fitting that on the fifth anniversary of the August coup that led to the collapse of the Soviet Union, much of Russia's new establishment gathered in the rebuilt Cathedral of Christ the Saviour in central Moscow to celebrate the Festival of the Transfiguration.

The giant cathedral was blown up by Stalin in 1931 during the war against religion. Khrushchev had a swimming pool built on the site. It has been rebuilt at remarkable speed and prodigious cost – thought to be $250m-$300m – as a symbol of Russia's national and spiritual regeneration.

Moscow's populist mayor, Mr Yuri Luzhkov, has promised to complete the cathedral's external facing by next year in time for the 850th anniversary of the city's foundation.

The cathedral fundraisers insist that all the money came from donations – including the proceeds of a concert by the Russian cellist-conductor Mstislav Rostropovich, and more than 50kg of gold from a Russian bank for the cupolas. The city council gave tax breaks to companies involved in the building.

Yesterday, Alexiy II, Patriarch of Moscow and All Russia, sanctified the central Transfiguration Chapel and officiated at the first divine liturgy in the new cathedral.

"Today is a day of celebration of our faith, of Russian Orthodoxy," he said. "Russians regard this day as the spiritual rebirth of Russia, as a return to the spiritual and moral foundations of the Christian faith."

Hundreds crowded into the white-vaulted chapel, which is faced with stone from Bethlehem and decorated with gold icons and hundreds of electric candles. The chanting, the incense, and the sense of occasion moved many of the devoted *babushki* to tears.

Just as all Americans alive in 1963 can supposedly remember where they were when they heard President John Kennedy was shot, Russians today reminisce about where they were when they learned of the state of emergency which was imposed after President Mikhail Gorbachev was reported to have fallen ill.

But after five years of economic and political turmoil, the anniversary provokes mixed reactions, and neither the federal nor the Moscow city government paid much attention to the event.

Pay gap piles up problems for Slovakia

Labour discontent is growing, reports **Vincent Boland**

Mr Vladimir Mečiar, Slovakia's prime minister, prides himself on his common touch. But he contrived to be out when employees from the ZTS Dubnica arms factory in central Slovakia called to see him in Bratislava. He also cancelled a visit to the plant, perhaps fearing a hostile reception.

Since the end of the cold war the state-owned arms industry has been in steep decline. Official exports are down, debts are piling up and wage levels have fallen far behind those in other sectors. ZTS plans to make 2,000 employees redundant.

The problems at ZTS afflict many industrial plants in central Slovakia. As a result workers at both state-owned and supposedly privatised industries in the region are threatening to strike over what they claim is official neglect of their plight. They may be encouraged to do so if concessions are granted to doctors, who begin balloting next month for industrial action over pay levels in the health service.

Central Slovakia is Mr Mečiar's power base, and he is normally profoundly attuned to its concerns. He has endowed the region's main city, Banska Bystrica, with more state money than he has ever lavished on Bratislava. Labour discontent there presents him with an acute political problem.

While central Slovakia and its industries are suffering, employees in other industries in other parts of Slovakia have never been better off.

Wage levels in the service sector are growing at an annual rate of about 20 per cent, and workers in privatised companies that have weathered the post-communist recession and emerged stronger – such as the Slovnaft petrochemicals group in Bratislava, and the VSZ steel plant in the eastern town of Kosice – have also seen their pay rise.

Mr Jean Christophe Ganz of ING Bank in Bratislava notes "very significant wage differentials between sectors and a definite increase in purchasing power among certain groups". He believes the government's policy of selling controlling stakes in companies to their management and employees may simply be adding to this trend. It has resulted, he says, in "incompetent managers and underpaid staff owning their own companies".

The result is a growing disparity between the pay of workers in privatised, restructured companies and those in state-owned or management-controlled industries.

Employees in restructured industry – petrochemicals, pharmaceuticals, steel – are enjoying a consumer spending boom, driving up Slovakia's import bill. Slovaks bought nearly $760m-worth of foreign consumer goods in the first six months of this year. German, French and Italian cars, a rarity two years ago, are now a common sight on Slovak roads.

Imports of cars and other consumer goods were second only to imports of Russian energy supplies in the half year to June 30, accounting for 15 per cent of total imports. The total import bill rose 23.6 per cent in the period to Sk155bn ($5bn), while exports rose only 2.1 per cent to Sk128bn. The result was a trade deficit of Sk27bn.

Exports have fuelled Slovakia's economic performance so far. Gross domestic product expanded in the first quarter by 7.2 per cent after 7.4 per cent last year. The inflation rate, at 6.1 per cent, is the lowest in any east European emerging market. These impressive figures have helped to counter the country's turbulent political image, securing it an investment grade rating from Standard & Poor's.

Now, there are fears that the era of spectacular growth is over. Mr Vladimir Masár, the central bank governor, warns that the import structure is "not what we would like to see". He discounts a government claim that it is high because companies are importing technology for investment.

While a large slice of the deficit is the result of higher prices, the country has been forced to pay for Russian energy supplies, Mr Masár wants more support for exporters, an end to the political impasse that has delayed bankruptcy legislation, and a drive to restructure the three state-owned banks that have the lion's share of lending to local companies.

Mr Mečiar is pledged to resist wage demands, and his snub to the ZTS workers may be proof of this resolution, even if it runs counter to his populist instincts. He has also hinted that the government may adopt measures to maintain economic growth when it returns from holiday.

His room for manoeuvre is limited, however. His government has won praise for its fiscal discipline and he will be reluctant to surrender the goodwill this has generated towards Slovakia. But Mr Mečiar may find the arms workers of central Slovakia at least as tough an opponent as his many political enemies.

EUROPEAN NEWS DIGEST

Russia sees end to loan delay

Mr Alexander Livshits, Russia's newly appointed finance minister, said yesterday he was confident the International Monetary Fund would resume disbursement of its $10.2bn three-year loan, which was suspended last month because of poor tax collection.

The IMF said its team of experts, which reviews Russian economic indicators every month, had left Moscow satisfied that the government was taking measures to rectify the budget shortfall. But the final decision about whether to resume disbursements will depend on an IMF board decision later this month.

Almost all problems had been resolved, Mr Livshits told a news conference. "The IMF will study the issues, which will take another 2-3 days, and then I bank on a positive decision." *John Thornhill, Moscow*

Early Greek poll on cards

A general election may be called in Greece next month because of growing concern about the economy. Mr Alex Papadopoulos, the finance minister, said an early poll would enable him to draw up a tight budget and reduce pressure for generous wage increases next year.

Greece is aiming to cut the government deficit next year by more than 3 percentage points to 4.2 per cent of gross domestic product, and to reduce inflation from 8.6 per cent to 5 per cent, in order to be able to join in European monetary union by the end of the decade.

A decision on an election is likely this week, a government spokesman said. The governing Panhellenic Socialist Movement's term runs out in October next year. Since Mr Costas Simitis took over as prime minister last January, Pasok has stayed ahead of the conservative opposition in opinion polls. Last month, he himself had an approval rating of more than 70 per cent.

Some government advisers argue that an early poll would make it more difficult to meet budget targets. Tax collection would be halted during an election campaign, while there would be delays in drawing down European Union structural funds, which provide up to 80 per cent of financing for public investment. *Kerin Hope, Athens*

Croat-Serb talks in Belgrade

Officials from Croatia and Serb-led Yugoslavia met in Belgrade yesterday in an effort to remove the remaining obstacles to mutual full diplomatic recognition. Mr Ivan Simonovic, Croatia's deputy foreign minister said Friday's meeting between the two foreign ministers to agree on formal recognition would be postponed unless outstanding disputes were resolved.

Meanwhile, Russian and Yugoslav investigators were searching for clues after a Russian heavy transport aircraft crashed near Belgrade airport, killing all 10 crew members and two other people accompanying the cargo. A series of rapid explosions following the crash fuelled speculation that the aircraft was carrying ammunition. Before the outbreak of war in 1991, Yugoslavia exported more $1bn a year in arms. The company which chartered the aircraft said it was carrying car wheels and rescue flares. *Laura Silber, Belgrade*

World Bank assails Belarus

The World Bank yesterday criticised Belarus for failing to carry out economic reform and accused it of drifting back towards Soviet-style central planning. In the past four years only 10 per cent of state enterprises have been privatised – not one this year. President Alexander Lukashenko, who opposes market reforms, intends this week to release a new economic programme promoting gradual transformation. He said on Sunday that, if the nation did not support him in a November referendum on constitutional ammendment, "I will do what other countries are doing, which is to try to reform everything at once".

The World Bank halted funding to Belarus this year but said it planned "to return here in three, four or five years to open new dialogues". The IMF also froze a standby credit of $300m in January. *Reuter, Minsk*

Harpoon joins police armoury

Finnish police plan to start using a harpoon-like device to catch runaway drivers, according to Finnish television. It showed a patrol car with a harpoon gun fixed on its front bumper being demonstrated in the city of Oulu.

Chasing a runaway vehicle, the patrol car draws near and the tubular harpoon made of steel pierces the boot of the fleeing car. Hydraulically operated barbs are released, keeping the harpoon firmly in place. The runaway driver is then forced to stop as the patrol car brakes.

A radio transmitter is embedded in the harpoon so that police can keep track of the vehicle should the shaft break. *Reuter, Helsinki*

Defending Europe under the new Nato order

Russia is still seen as the main threat, reports **Bruce Clark, Diplomatic Correspondent**

As US politicians sit down this autumn to consider the pros and cons of enlarging Nato, their reading list will include two influential studies that differ sharply in tone, although there is some overlap in content.

One, an article by three senior analysts at the Rand think tank, portrays Nato expansion as an easily affordable and economically rational policy that is vitally necessary to promote stability in central Europe.

The other, by the Congressional Budget Office (CBO), describes expansion in more confrontational terms: of the five options it maps out for enhancing new Nato members' security, four involve preparing for war with Russia.

Both studies lay out a wide range of estimates for the cost of expansion, depending on the strategy selected. Both assume expansion will initially cover Poland, Hungary, the Czech Republic and Slovakia – though the "latter's prospects have clearly diminished" in the Rand analysts' view.

Those analysts, writing in the forthcoming issue of the journal Survival, suggest that Nato enlargement along the lines currently envisaged could cost between $30bn and $52bn over 10-15 years.

That is their estimate of the cost of an intermediate strategy based on readiness to deploy between five and 10 Nato divisions, and 10 wings of fighter aircraft, to protect new members in the event of a crisis.

This posture of "joint power projection" with little or no permanent deployment of multinational forces on new members' soil is broadly implied by the paper on enlargement published by Nato last autumn, the authors say.

Such a posture would "guarantee that Nato could deter regional instability and cover a wide range of regional contingencies, short of a new cold war with a Russian-led Commonwealth of Independent States," the article comments.

It sketches out three other options: limited improvements in new members' forces, costing $10bn-$20bn; protecting new members with air power alone, costing $20bn-$30bn; and significant forward deployment, costing $55bn-$110bn.

Even if the final figure proves to be at the higher end of the range, the cost of expansion will only be a tiny fraction of total defence spending, and it will be money well spent, says the article in Survival, the journal of the International Institute for Strategic Studies.

An expansion programme costing $42bn, spread over a decade, would imply an increase in Nato's defence spending of only 1 or 2 per cent, it argues.

While new members will have to spend more on some military items, joining Nato would "allow them to purchase a greater degree of security at a much lower cost than would otherwise be the case".

Nato had a surplus of assets in several key areas, notably aircraft, and using them to protect central and eastern Europe would mean a "sensible division of labour" that spared the new member states some re-equipment costs.

The CBO, puts the cost of expansion between now and 2010 at $61bn-$125bn, with the US paying $5bn-$19bn. It says new members may be called on to increase defence spending by up to 60 per cent and they may balk at this.

In its analysis of ways to ward off a possible Russian threat, the CBO paper considers using air power alone; grooming ground forces for redeployment in a crisis; prepositioning equipment on new members' soil; and stationing western troops on new members' territory.

The CBO study, which acknowledges help from serving and retired US military officers as well as defence think tanks, assumes that Germany would bear the main burden in projecting air and ground forces eastwards in a crisis.

But if Nato decides to deploy some forces permanently on the soil of new members, they would probably not be German – because of historical sensitivities, the CBO reckons.

In one scenario, it suggests that a threat to a new Nato member might require deployment of six German divisions, one division each from Britain and France and at least four US brigades which would be heavily reinforced.

In this event, the ratio of Russian ground forces west of the Urals to Nato forces ranged against them would be around 1.8-1. But the western bloc should still have no difficulty defending its new allies.

While both studies appear to draw on the same pool of Pentagon expertise, the Rand analysts are at pains to distance themselves from the CBO's openly confrontational thinking.

In contrast to the CBO paper, their analysis "is anchored in the premise of avoiding confrontation with Russia, not preparing for a new Russian threat", say the three authors.

Russia has consistently opposed Nato expansion, although General Alexander Lebed, the country's new national security adviser, has taken a somewhat softer line.

Russian officials say that permanent deployments of western troops on the soil of their former satellites is the thing they fear most.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Political and business pressure mounts ahead of IMF visit

Argentina's austerity plan falters

By David Pilling in Buenos Aires

An IMF mission is due to arrive in Buenos Aires today amid signs that the austerity package it helped design for Argentina is beginning to unravel under intense pressure from politicians and business interests.

The austerity package, launched last week by Mr Roque Fernández, the economy minister, aims to boost treasury coffers by an annual \$4bn-\$4.5bn and to help plug a budget deficit estimated to be heading for \$6.6bn this year – \$4.1bn more than IMF targets.

The Fund, which in February provided Argentina with a standby facility of \$1.1bn, will be asked to grant a waiver for missed fiscal targets in the first half of 1996, and to relax goals for the rest of the year.

However, assurances by Mr Fernández that his proposals would be quickly approved by Congress looked increasingly less convincing as legislators from the governing Peronist party voiced concern over specific measures.

In particular, congressmen have made it clear they will not pass an increase in the women's retirement age from 60 to 65.

Congress will take note of a weekend poll in La Nación newspaper which found that 61 per cent of Argentines believed new tax measures would damage economic prospects. In contrast to the initially positive reception to the appointment of Mr Fernández last month, 47 per cent of those consulted now thought he would make things worse, while only 13 per cent believed he would bring improvements.

Mr Fernández, who lacks the communicative skills of Mr Domingo Cavallo, his predecessor, has been severely criticised for failing to explain to Argentines, battered by recession and unemployment, why they must tolerate yet another austerity round. Mr Enrique Szewach, an economist writing in El Cronista newspaper yesterday, said: "I have no idea why the economic team, far from explaining its recent measures, prefers to present itself as a group of hard and insensitive monetarists."

Governors of Argentina's provinces, many of which are in financial chaos, have already negotiated changes to the Fernández package. Provinces agreed to waive their rights to share the higher tax revenue which will result from proposed increases to diesel and petrol prices. But, in return, they have won a share in personal property tax, which they propose should be doubled to 1 per cent.

The government has also agreed to scrap a proposal that would have set a ceiling on the overall tax revenue that the federal government is obliged to share with provinces.

Industrialists too are pressing for the reversal of several proposals which they believe will reduce Argentina's competitiveness.

They are fighting planned cuts to export subsidies and the proposed scrapping of duty-free imports of capital goods and factory supplies.

There may be more modifications before the austerity bill is sent to Congress, possibly as early as tomorrow. Analysts believe the package, which could be further watered down by legislators, will not become law for at least a month.

Sentencing of Whitewater financier delayed

By Nancy Dunne in Washington

The sentencing of Mr James McDougal, one of President Bill Clinton's partners in the Whitewater real estate venture, has been delayed for three months while he "co-operates" with the special counsel investigating corruption in Arkansas.

The delay in sentencing Mr McDougal implies that prosecutors believe he may provide valuable information. This could draw Mr Clinton and his wife Hillary deeper into the Whitewater corruption investigation during the president's re-election campaign.

Mr McDougal, his former wife Susan and former Arkansas governor Jim Guy Tucker were convicted in May of bank fraud and conspiracy charges related to a complicated series of loans and land deals in the mid-1980s.

Mr Tucker was to be sentenced yesterday. He was the president's successor as governor of Arkansas but has since resigned under threat of impeachment.

The McDougals and Mr Tucker were convicted on evidence provided by another financier co-operating with the prosecutor – Mr David Hale, who also testified that Mr Clinton helped secure a \$300,000 fraudulent loan for Mrs McDougal. The president called the claim "a bunch of bull" and testified for the defendants by videotape.

The McDougals and the Clintons had numerous ties. They were partners in the Whitewater real estate venture, and Mrs Clinton did legal work for Mr McDougal's savings and loan institution.

Mr McDougal was the owner of Madison Guaranty Savings and Loan, which he was accused of looting to finance another real estate project, the Castle Grande. Mrs Clinton did legal work on the project, and it was papers related to that effort which disappeared and then mysteriously turned up in the White House early this year.

Mr McDougal, a flamboyant and unpredictable former banker, had vowed not to co-operate with prosecutors. However, his health is poor – he has liver disease and is on a transplant list – and he is apparently concerned about his former wife, who faces up to 17 years in prison and \$1m for her role

He faces up to 84 years in prison and \$4.5m in fines. The penalties could be considerably reduced if Mr McDougal provided valuable information to the prosecutor.

Mexican growth outstrips estimates

The Mexican economy grew 7.2 per cent in the second quarter of 1996, according to finance ministry figures which show the country is recovering from last year's deep recession at a faster pace than either government or private sector economists expected, writes Leslie Crawford in Mexico City.

The recovery is being led by the export-oriented manufacturing industry, which grew at an annualised rate of 13.9 per cent in the quarter.

The mining industry, which includes oil and gas production, also grew 7.2 per cent. Even the construction industry, which was hit particularly hard by last year's financial crisis, registered a recovery of 7.8 per cent.

Financial and other services remained depressed, with only a 2 per cent improvement over last year's weak performance.

Economists cautioned that the strong growth figures were magnified by the sharp contraction in gross domestic product during the second quarter of 1995, when the Mexican economy contracted 9.8 per cent.

Nevertheless, the finance ministry noted the results represented the economy's first positive performance since the devaluation of the peso in December 1994.

Federal funds oil campaign wheels

Jurek Martin on money – the mother's milk of US politics

Billionaire Ross Perot must scramble around after other people's money Reuter

If money is the "mother's milk" of politics, as Senator Phil Gramm of Texas crudely put it last year, then it is feeding time with a vengeance for the three candidates running for the presidency, as the events of the past few days have demonstrated.

On Sunday night in Valley Forge, Pennsylvania, Mr Ross Perot accepted the nomination of his own Reform party, then announced he would also accept \$29.2m in federal funds to help finance his campaign between now and November.

In New York, and at about the same time, President Bill Clinton celebrated his 50th birthday one day early with a fundraising extravaganza that netted another \$10m for his Democratic party.

On Friday morning, a young aide to Mr Bob Dole arrived in Washington from the Republican convention in San Diego to pick up the cheque for \$61.8m from the Federal Election Commission to which Mr Bob Dole is entitled following his acceptance of his party's presidential nomination. Mr Clinton will be eligible for a similar sum next week.

For Mr Dole, the financial relief was palpable. He had spent virtually all his pre-nomination limit of \$37m during the primaries, while Mr Clinton, unchallenged for the Democratic nomination, had about \$20m in the campaign bank to disburse over the summer, mostly on advertising.

The Dole campaign had been "running on empty" for months, to the point that Democrats had accused them of circumventing the rules to stay in business. Mr Newt Gingrich, Speaker of the House, has frequently argued that the Democratic financial advantage lay behind the president's substantial lead in the opinion polls as the Republicans were unable to afford an advertising counter-attack.

Now the critical decision for Mr Dole is where best to spend his funds, not least whether to invest the necessary \$10m or so required to be effective in California, the largest state where Mr Clinton has been holding a commanding lead.

But it is Mr Perot's decision to accept his federal entitlement – based on the 19 per cent of the vote he won as an independent in 1992 – that is the most intriguing. It means he may not spend more than \$50,000 from his own fabulously deep pockets between now and November.

That is nothing compared with the more than \$60m he forked out on the 1992 effort and only a fraction of the several millions he has spent to set up the Reform party and underwrite its two-part nominating convention in California and Pennsylvania.

The billionaire must now scramble around after other people's money if he is to raise the additional \$32m that would bring him up to the allowable limits applicable to Mr Clinton and Mr Dole – no easy task when individual donations may not exceed \$1,000 per person.

Nor, according to Mr Russell Verney, the Reform party's executive director, will its nominee be able to receive the estimated additional \$10m allowable to Mr Clinton and Mr Dole from their respective Democratic and Republican parties. The Reform Party, he said, had not yet qualified as "a national political entity" under the campaign financing laws, as it had not yet qualified for every state ballot in the nation.

The question of money, never before a consideration to Perot adherents, was on the minds of delegates at Valley Forge. As one put it: "Who is going to send money to a billionaire?"

The inclination may be even less if Mr Perot does not improve his standing in the polls, which have slipped below 10 per cent of late, and if former Colorado governor Dick Lamm, who won more than a third of the vote of the few party members who cast a ballot, remains at odds with the nominee.

To be fair, Mr Perot did try to address this question in his acceptance speech. He derided the fundraising techniques of the two main party candidates, which, he said, made both beholden to special interests.

He then called on his independent-minded supporters to dig into their own pockets, saying such an effort would render them comparable to the Minutemen of the American Revolution who turned around the struggle against the British.

His homespun and self-financed convention stood in deliberate contrast to that held in San Diego last week and Chicago beginning on Monday, with their heavy corporate sponsorship, cash and in-kind contributions matching the approximately \$12m provided from federal funds for each.

The tobacco industry, for example, was a visible presence among Republicans, hosting several parties for delegates on yachts in San Diego Harbour. But the Democrats, traditionally the recipient of less support from big business, have become equally professional in fundraising and underwriting.

This is witnessed by the fact that one of the co-chairman of the Chicago host committee is Mr Richard Notebaert, chief executive of Ameritech, the "Baby Bell" company. In the 18 months up to last June, Ameritech had contributed about \$365,000 to Republican congressional candidates and \$140,000 to Democrats.

But it is the federal government which is the biggest single provider of mother's milk, ironic since all three candidate believe, in different degrees, that it must be cut down to size.

ANC's credibility hit by cash donation

Mandela's admission of a secret R2m gift has embarrassed the party. **Roger Matthews** reports

President Nelson Mandela of South Africa last week made perhaps his most surprising admission since taking office after the 1994 general election.

Before the poll, said Mr Mandela, he secretly accepted a R2m ($440,000) donation on behalf of the African National Congress from a businessman who is still the subject of a criminal investigation.

What made the admission so remarkable was that only a few days earlier the ANC had issued an emphatic denial that such a donation had ever been made.

"The ANC rejects these repugnant suggestions as blatant lies. They are malicious and defamatory," it said.

The explanation for the ANC's denial, according to Mr Mandela, was that he told no one in the organisation about the donation, including the treasurer, and simply deposited the money in the ANC account. It was nonsense, he said, to think the ANC would seek to influence the outcome of a criminal inquiry.

If the issue had rested there it might have been dismissed as a worrying lack of co-ordination at senior levels of the ANC, occurring when the organisation, despite its pledge of honesty and transparency, could not be too sensitive about the source of its funds.

But, embarrassingly for the ANC, this particular cat was let out of the bag by its favourite son, Mr Bantu Holomisa, who at the last national congress topped the poll in elections to the executive committee. Mr Holomisa, once military ruler of the nominally independent Transkei, enjoys challenging authority, and has worked harder than most to cultivate the grassroots of the organisation.

Mr Holomisa made other allegations in evidence to the Truth and Reconciliation Commission, investigating human rights abuses during the apartheid years.

He said Mrs Stella Sigcau, now minister for state enterprises, had accepted a R50,000 payment from the same businessman, Mr Sol Kerzner, the hotel magnate.

> This particular cat was let out of the bag by the ANC's favourite son

And Mr Holomisa further alleged that Mr Kerzner had paid for the 50th birthday celebrations of Mr Thabo Mbeki, the deputy president.

It was no surprise when soon afterwards Mr Mandela sacked Mr Holomisa as deputy minister of environment and tourism. But even after admitting the R2m donation, the president insisted that he would not apologise to Mr Holomisa, and would overrule anyone who wished to.

The ANC also pressed ahead with disciplinary proceedings against Mr Holomisa at which he was accused of misconduct, bringing the organisation into disrepute, and conduct unbecoming a party member.

However, the first round of the disciplinary process has gone to Mr Holomisa. He claimed statements made by the tribunal's members showed they had prejudged the case.

Mr Kader Asmal, minister of water affairs and the tribunal chairman, then withdrew from the hearing, which will resume at the end of the month. Mr Holomisa has meanwhile confirmed that he will fight all the way to a full meeting of the national executive, and take the issue to the civil courts if necessary.

Opposition parties are predictably enjoying the ANC's discomfiture. A spokesman for the Democratic Party described Mr Mandela's account of the R2m donation as "mind boggling." How was it no one else knew about the donation, its spokesman asked.

"Must we then conclude that either the president received wheelbarrow loads of cash, or else he deposited the cheque into his private account? By acting in this way Mr Mandela has opened himself to all types of allegations, including from within his own party."

Bantu Holomisa: Enjoys challenging authority and works hard to cultivate the ANC grassroots *Popperfoto/Reuter*

By highlighting the lack of co-ordination among the ANC leadership, Mr Holomisa's case has exposed a more widespread problem, exemplified most recently by the wobbly response to both the fall in the value of the rand and worsening crime.

Mr Robert Schrire, professor of political studies at the University of Cape Town, argues that Mr Mandela is the least powerful head of government South Africa has had for almost 50 years. "If power is defined as domination over symbols, public affection and deference, then Mandela is pre-eminent," he says. "If, however, power is viewed as the ability to shape policy, and determine the leadership cadre, then Mandela is simply one member of an executive team."

Mr Mbeki chairs cabinet meetings more often than the president, and conversations with ministers confirm the extent to which responsibility for handling issues rests with individual "line managers". Forceful ministers can push through legislation or direct policy effectively, but where responsibilities overlap there is often vacillation and drift.

The lack of official response to the dangerous conflict between the Moslem-led People Against Gangsterism and Drugs (Pagad) and the criminal gangs in the suburbs of Cape Town is the best current example. Mr Mandela and Mr Mbeki have had little to say on the issue.

A growing danger for the ANC is that the public, and even some of its own supporters, are beginning to contrast such uncertainty with the speed and determination it has shown in moving against Mr Holomisa.

Opinion polls have all shown substantial support for Pagad's actions in taking the law into its own hands, and Mr Holomisa has been repeatedly cheered when addressing public meetings.

So strong is the ANC's grip on power it may safely feel it can ignore such demonstrations of popular feelings. But in the absence of more effective action on other policy issues, the perception could grow that what mobilises ANC leaders most effectively is dissent within its own ranks.

Sumitomo chief 'was told of LME concern'

By Kenneth Gooding, Mining Correspondent

Mr Tomiichi Akiyama, chairman of Sumitomo Corporation, was personally informed by the London Metal Exchange it was concerned about the Japanese group's operations in the copper market as early as December 1991.

At that time, the copper market was in turmoil and traders blamed Sumitomo and its senior copper trader, Mr Yasuo Hamanaka, for engineering a "squeeze" by taking tight control of most of the metal in London Metal Exchange authorised warehouses.

Mr Hamanaka was dismissed in June this year and Sumitomo claimed he had lost $1.8bn by unauthorised trading.

At the end of 1991 consumers were complaining the copper price did not reflect actual market conditions and on December 3 the LME executive was forced to put a limit on the premium that could be charged for rolling forward a contract for one day because copper for immediate delivery was so tightly held.

Mr Akiyama at that time was president of the Corporation and the LME's chief executive, Mr David King, sent urgent inquiries to him and Mr Ima Nishiumi, the director and general manager of Sumitomo's non-ferrous metals division.

This is clear from Mr Nishiumi's telexed response to Mr King, a copy of which has been obtained by the Financial Times. Mr Nishiumi insisted: "We are confident our present copper business with regard to LME's transaction [sic] is legitimate and in accordance with the regulations of the LME."

After confirming that Sumitomo would be able to meet all its financial obligations and delivery commitments, Mr Nishiumi added:

"The function of the LME is essential to the global copper transactions and we hope you will maintain free market for the benefit of all participants."

Mr Raj Bagri, LME chairman, insisted last week that senior operating management at Sumitomo had been told several times since 1991 that the exchange was concerned about the group's activities in the copper market.

"We received assurances from them they were fully aware of the level of trading and we have documentary evidence to prove this."

INTERNATIONAL NEWS DIGEST

Strong pro-Syria turnout in Lebanon poll

Pro-Syrian government candidates including four ministers triumphed in the first round of Lebanon's parliamentary elections, dealing a big blow to the Christian opposition's hopes of engineering a political revival, provisional results showed yesterday.

The strong pro-Syrian showing in Sunday's voting in the Christian-majority area of Mount Lebanon prompted cries of fraud from the opposition, which accused rivals of the worst election abuses in decades.

A list headed by pro-Syrian Druze leader and Minister of Displaced Persons Walid Jumblatt swept all eight seats in the Chouf constituency in Mount Lebanon, while his supporters took four of five seats in nearby Aley. In all, 32 of 35 seats contested went to the government. Final results from Sunday's voting, the first stage of a five-week election for the 128-seat parliament, are to be announced today. *Agencies, Beirut*

Hussein firm over PM

King Hussein of Jordan yesterday resisted calls for the resignation of his prime minister, as calm returned to Jordan after three days of rioting against a more than doubling of bread prices agreed with the IMF.

Karak, the south Jordanian town where the revolt started last Friday and spread northwards up to the poor suburbs of the capital Amman, was said by visitors to be quiet, although a curfew was still in force.

Mr Abdel-Karim Kabariti, the prime minister King Hussein appointed in January, told reporters in Amman: "I am not going to resign," reflecting the king's resolve to tough out the crisis. *David Gardner, Middle East Editor*

Eritrea cools island dispute

France said yesterday Eritrea had agreed to withdraw its forces from a small Red Sea island, cooling a dispute with Yemen that had threatened to derail arbitration of the two Red Sea states' differences. After talks with Mr Francis Gutman, the French mediator, "the two nations have decided to avoid a crisis in resolving the incident over Lesser Hanish island," said a French foreign ministry spokeswoman.

Yemen had earlier threatened to take military action against Eritrea if mediation failed to defuse the crisis triggered by its sending troops to the island. Both states claim the islands of Greater and Lesser Hanish and fought briefly last December over the islands. They later agreed in Paris in May to settle the row through arbitration. The islands are located near tanker routes at the Red Sea's southern entrance. *Reuter, Paris*

China-Niger ties restored

China resumed diplomatic relations with Niger yesterday, four years after the West African country established ties with Taiwan. Chinese foreign minister Qian Qichen and his Niger counterpart Andre Salifou signed a joint communique recognising Beijing as the sole legal government of China and Taiwan as an integral part of Chinese territory.

In 1992, a virtually bankrupt Niger established diplomatic ties with Taiwan, regarded by China as a rebel province, in return for a $50m aid package. *Reuter, Beijing*

GM to expand in central Europe

By Kevin Done, East Europe Correspondent

General Motors, the US vehicle maker, is expanding its automotive components operations in central Europe with the establishment of new plants in Romania and Poland.

The investments by Delphi Automotive Systems, the GM subsidiary and the world's biggest automotive components supplier, are in response to increasing car production in central Europe as well as to the search by west European vehicle manufacturers for low-cost sources of supply as part of global purchasing strategies.

GM itself is building a DM450m ($303m) car plant in southern Poland to begin production at the end of 1998, and it also has a small volume car assembly operation in Hungary.

In Romania Delphi is to invest initially $7.5m to build a greenfield site plant to assembly wiring harnesses at Sinnicolaul Mare, 500 km west of Bucharest.

"Romania is a low-cost area and our investment there is an important step in staying ahead of the competition," said Mr René Haep, managing director of Delphi Packard Electric Europe.

Output is to begin in mid-1997 with full production to be reached in 1999 with a workforce of around 600.

Delphi said that the Romanian plant would assemble wiring systems mainly for export across Europe, initially to Opel, GM's west European car operations.

It would also supply local carmakers, and talks are under way to supply Rodae, the Romanian joint venture controlled by Daewoo of South Korea.

In addition to Romania Delphi already has wholly owned operations in central Europe in Hungary, the Czech Republic and Poland. It has wiring harness plants in all three countries and also has a small seat assembly operation in Warsaw.

In Poland Delphi is planning to acquire in the autumn the state-owned Zaklady Sprzetu Mechanicznego, Poland's largest manufacturer of automotive radiators and heaters located in Ostrow.

Polo continues drive into Japan

Europe's small cars are making inroads into a difficult market, says **Michiyo Nakamoto**

Never mind that the music was distinctly French. The chanson-like tune that filled the spacious hall of a Tokyo hotel yesterday where Volkswagen unveiled its mass-selling small car, the Polo, provided an appropriately European mood in a country where a European marque holds significant cachet.

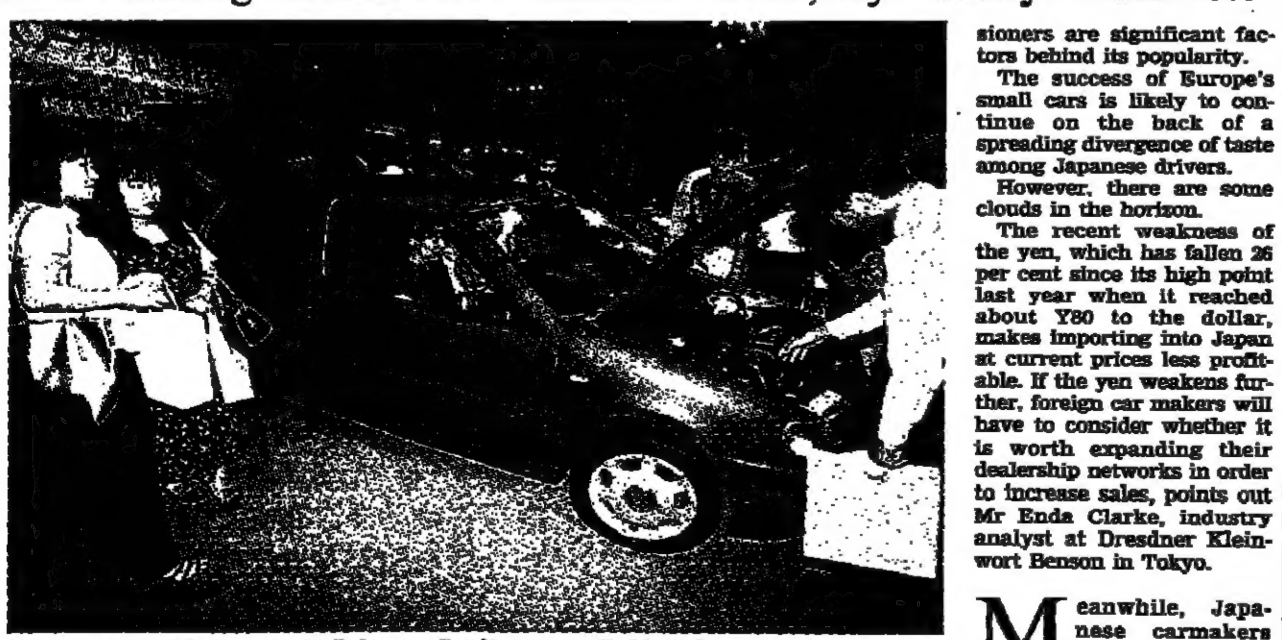
The launch of the Polo yesterday drew an unusually large crowd of journalists – testimony to the shining success of Europe's small cars in the past year.

In the first seven months of this year, imported small cars, with engine displacements of under 2,000cc, have increased sales substantially at a time when the overall Japanese car market has been lacklustre. Although not as strong as the 14 per cent rise in sales of imported cars overall, sales of small cars rose 7 per cent in the period.

Opel's Vita, for example, marked sales of 9,309 units between January and July, compared with 8,230 units between March and December last year, according to Yanase, the sole importer of Opel vehicles. The Vita is expected to exceed its sales target of 11,000 units to the end of September.

Although it started with a small base, Renault, which has not been a commonly seen marque in Japan, more than trebled its sales in that period from 536 units last year to 1,745 units.

The rise is largely attributable to the popularity of its small car, the Twingo.



Japanese inspect Volkswagen's Polo car after it was unveiled in Tokyo yesterday *Reuter*

The arrival of the Polo is expected to intensify competition further in the largest car segment in the Japanese market. In an aggressive push into a fiercely contested segment of the Japanese car market, Volkswagen aims to sell 6,400 Polos in just four months to the end of the year.

The addition of the Polo to the Volkswagen line-up in Japan is expected to help maintain the group's leading position among imported car makers with targeted sales of 46,000 units this year.

The success of Europe's small cars in what is widely considered one of the most difficult markets in the world owes much to the substantial appreciation of the yen over the past several years, which has brought European cars within reach of that market in Japan.

Yanase notes that the main reason behind the Vita's success is its affordable price of Y1.54m, which is only slightly more expensive than leading models in the segment.

European vehicle makers have also tailored pricing strategy to the Japanese market by offering low-interest loans, making the cars affordable without harming their high quality image.

At the same time, as the emphasis on European-ness at the Polo's launch demonstrated, the image of high quality and sophisticated design associated with European products, particularly German products, has been instrumental in expanding demand for European cars in Japan.

Opel, which, in Japan, is recognised as German, has supported that image with a range of safety features for the Vita, which are unavailable in Japanese cars in the same segment. The Vita's standard passenger-seat air-bags and seat belt pretensioners are significant factors behind its popularity.

The success of Europe's small cars is likely to continue on the back of a spreading divergence of taste among Japanese drivers.

However, there are some clouds in the horizon.

The recent weakness of the yen, which has fallen 26 per cent since its high point last year when it reached about Y80 to the dollar, makes importing into Japan at current prices less profitable. If the yen weakens further, foreign car makers will have to consider whether it is worth expanding their dealership networks in order to increase sales, points out Mr Enda Clarke, industry analyst at Dresdner Kleinwort Benson in Tokyo.

Meanwhile, Japanese carmakers are not sitting still. Toyota, in particular, which is the price leader, is determined to claw back a larger share of the domestic market where it has slipped in the first half of this year. The company has said over and over again it will use its pricing power to regain ground, notes Mr Clarke.

With the Polo's launch, Europe's small car makers are expected to take a greater share of the Japanese market. But whether or not they are able to continue making significant inroads in Japan owes as much to the exchange rate as to their ability to withstand the expected counter-offensive of domestic manufacturers.

United Airlines close to $3bn order

United Airlines is close to announcing an order worth over $3bn for up to 50 aircraft from Boeing of the US and Airbus Industrie, the European consortium, writes **Michael Skapinker, Aerospace Correspondent.**

United, which this year concluded a far-ranging partnership accord with Lufthansa of Germany, is expected to order 27 larger aircraft from Boeing with a total value of $2.5bn.

The order is likely to be for 19 Boeing 747-400s, six 757s and two 777s. United has already ordered 34 Boeing 777s and has options on a further 34.

United will also place an order worth $600m for about 20 narrow-bodied aircraft although the airline has yet to decide whether to opt for Boeing or Airbus jets. The aircraft will either be Boeing 737s or Airbus A319s.

The orders are likely to be announced together, possibly within a week.

■ Bombardier, the Canadian transport equipment group, has sold 16 50-passenger Regional Jets worth US$320m to Mesa Air, the biggest independent regional airline in the US, writes **Robert Gibbens in Montreal.**

Deliveries will begin early next year.

Mesa, which will operate the aircraft in the south-western US, has also taken 16 options or delivery positions, bringing the order's total potential value to US$640m. Two big US connector airlines, Comair and Skywest, are the leading North American RJ customers, followed by Air Canada and now Mesa.

Lufthansa is the lead customer in Europe and RJs are also flying in France, Austria, Romania, Argentina and Malaysia. Altogether 126 have been delivered.

"Performance, profit potential and proven technical support made us choose Bombardier," said Mr Larry Risley, Mesa chairman. The aircraft will use GE CF34-3B1 engines to give extra climb-thrust in hot climates.

WORLD TRADE NEWS DIGEST

Vietnam lifts car kit quota

Vietnam's Trade Ministry has raised its 1996 car kit import quota in a move generally welcomed by vehicle manufacturers.

The decision allows the import of another 2,500 unassembled vehicles, known as completely knocked down (CKD) kits. Hanoi's previous 1996 quota allowed import of 3,500 CKD kits and 1,500 completely built units for vehicles of up to 12 seats.

Total import quota for all types of vehicles in 1996, including second-hand vehicles, is 20,000. Vinastar, a joint venture involving Japan's Mitsubishi Motors, also welcomed the news. Six foreign manufacturers build vehicles in Vietnam, but details of how the extra quota would be shared were not clear. Hanoi has granted licences so far to 12 manufacturers. *Reuter, Hanoi*

Japanese invest more abroad

Japanese companies are boosting investment abroad despite the recent weakening of the yen against the dollar and fears that the domestic economy will "hollow out" as a result, a survey published yesterday shows.

Companies surveyed by the Nihon Keizai Shimbun daily said they would boost capital investment overseas 11.6 per cent in the year to March 1997, exceeding a planned 8.9 per cent rise in domestic capital spending.

This compares with a 14.5 per cent rise for overseas investment and a 21.9 per cent rise in domestic spending in the fiscal year to March 1996. The percentage of the companies' total production done overseas is expected to rise to 13.1 per cent in 1996-97 (12.1 per cent the previous year). South-east Asia topped the list of sites for planned Japanese corporate investment. *Reuter, Tokyo*

Singapore investors' problems

Singapore investors are not happy with profitability of their businesses in China, with problems of red tape, Singapore's Sunday Times said. It cited an unpublished study by the National University of Singapore, but found Singapore investors remain focused on the long-term potential of the Chinese market.

The study found 40 per cent of Singapore companies in China dissatisfied with their profitability, 42 per cent moderately satisfied and 10 per cent more than moderately satisfied. Top of the complaints list was bureaucracy, followed by ever-changing investment rules, the legal system and difficulty in getting reliable data.

Companies claimed their biggest mistake was over-optimism, followed by disappointment at "what the Chinese said and promised". *Reuter, Singapore*

Taiwan push on shipping ban

Taiwanese transport executives yesterday formed a private group to try to end a ban on direct shipping links with China.

The group plans unofficial talks with mainland officials and companies on key issues, state-funded TV reported. These include the status of shipping links between Taiwan and Hong Kong after the colony's handover to Chinese sovereignty in July next year, and Taiwan's hopes for direct sea links with the mainland.

Mr Tsai Chao-yang, Taiwan's transportation minister, said such exchanges would ease mutual understanding in the absence of official contacts. President Lee Teng-hui has cautioned that Taiwan is becoming too dependent on China's economy. *Reuter, Taipei*

NEWS: ASIA-PACIFIC

Japan's trade surplus falls 38%

By Emiko Terazono and Michiyo Nakamoto in Tokyo

Japan's trade surplus fell by 37.7 per cent in July compared with the same period a year ago, the finance ministry said yesterday. The continuing contraction of the politically sensitive trade surplus was on the back of a solid growth in imports that outpaced the recovery in exports.

It was the 20th consecutive month of year-on-year decline in the overall surplus and the 17th consecutive month of decline in the surplus with the US. The surplus with the US showed only a small decline, 4.5 per cent to Y316.7bn ($3bn), as Japanese car exports shifted into higher gear.

The July surplus - the smallest surplus for the month in 14 years - at Y504bn, reflected strong personal computer and crude oil purchases which were the main factors behind a 35.6 per cent rise in imports. The strength of personal computer imports highlights the extent to which many Japanese manufacturers have shifted production overseas. Companies are moving factories offshore to countries with cheaper labour and then bringing the goods back into Japan, also boosting import numbers.

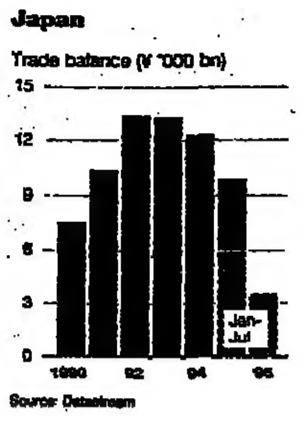
The rise in imports, which has continued for 27 months in a row, has far outweighed a firm increase in exports, which grew for the 12th consecutive month. Exports climbed 17.4 per cent on the back of a rise in car and computer exports.

Economists said the rise in exports heralded moderate export growth for the rest of the year, which in turn would begin to stem large declines in the trade surplus.

Car sales were the largest contributor to overall export growth, rising 35.5 per cent, while exports of personal computers and other office equipment rose 27.6 per cent. Crude oil imports rose 48.9 per cent, computers 52.7 per cent, and scientific and optical products 77.8 per cent.

Although the trade surplus is expected to continue to fall, economists expect the dollar's appreciation against the yen to slow the pace of decline. "The currency fluctuations will be reflected in August figures where the rate of decline will start to slow," says Mr Kazuhiko Ogata, economist at Jardine Fleming Securities in Tokyo.

Other indicators yesterday gave mixed signals for the economy. Household spending in June rose 3.4 per cent from a year earlier for the first time in three months, indicating a recovery in consumer confidence. Average monthly household spending in the first half of the year rose 1.5 per cent.



Japan's limited revolution, Page 11

The last great traditional geisha dies at 102

By Michiyo Nakamoto in Tokyo

Tsutakiyokomatsu Asaji, the last great traditional *geisha* whose admirers included prime ministers and corporate chieftens, died yesterday aged 102.

Many in Japan's political and business elite acknowledge her death as the passing of an era, when important decisions in domestic politics and business were often made in a secluded *geisha* house, far from the gaze of the public.

The practice of escaping worldly woes to the comfort of the music and dance that are the hallmarks of the accomplished *geisha*, persists today in privileged circles, though its popularity has diminished in the face of competition from *karaoke* and *settai* (corporate entertainment).

Ms Asaji was regarded as the finest *geisha* of this century, performing traditional arts whose admirers included Hideki Tojo, Japan's prime minister during the second world war, and Soichiro Honda, founder of the car company.

She gave artistic pleasure, and occasionally even worldly advice, to leading figures in politics and business during one of the most turbulent periods in the country's history.

Ms Asaji first performed in Tokyo's Yanagibashi district in 1910 at the age of 16. In her 100th year, appeared in a fashion show for the elderly and published her autobiography.

In 1989 her contribution to Japanese performing arts was recognised with the award of an imperial medal.

Her life spanned the modern Japanese nation, from the Meiji era in the last century, when the country opened to the outside world in the quest for modernisation, through the second world war, to more recent years of economic supremacy.

Historians believe the number of *geisha* has dwindled to just a fraction of the figure when Ms Asaji was at the height of her glory more than half a century ago. Her death at a time of rising *settai* and *karaoke* could accelerate the demise of this Japanese tradition.

The rise of a more garish of *geisha* was highlighted during the late 1980s by the rise to prominence of another woman, *nui onoue*, the Bubble Lady.

The new attraction also won the attention of leading bankers and industrialists, and apparently gave them counsel in her club in a sleazy district red-light of Osaka.

Having built equity stakes in leading industrial companies and banks the eminence of the Bubble Lady collapsed with the Tokyo stock exchange index.

China keeps tight grip on cable TV boom

Tony Walker reports that foreign groups are being kept out of a rapidly expanding sector

China's economy may be slowing under the weight of credit restrictions, but in one area there is no sign of slackening - the rapid spread of cable television.

While foreign cable operators such as Mr Rupert Murdoch's Hong Kong-based Star TV network covet a slice of the world's fastest growing TV market, China's home-grown cable industry forges ahead at extraordinary speed. Mr Li Ke Han, a deputy director of the Ministry of Radio, Film and Television is not exaggerating when he says the industry has built "great momentum" for further development.

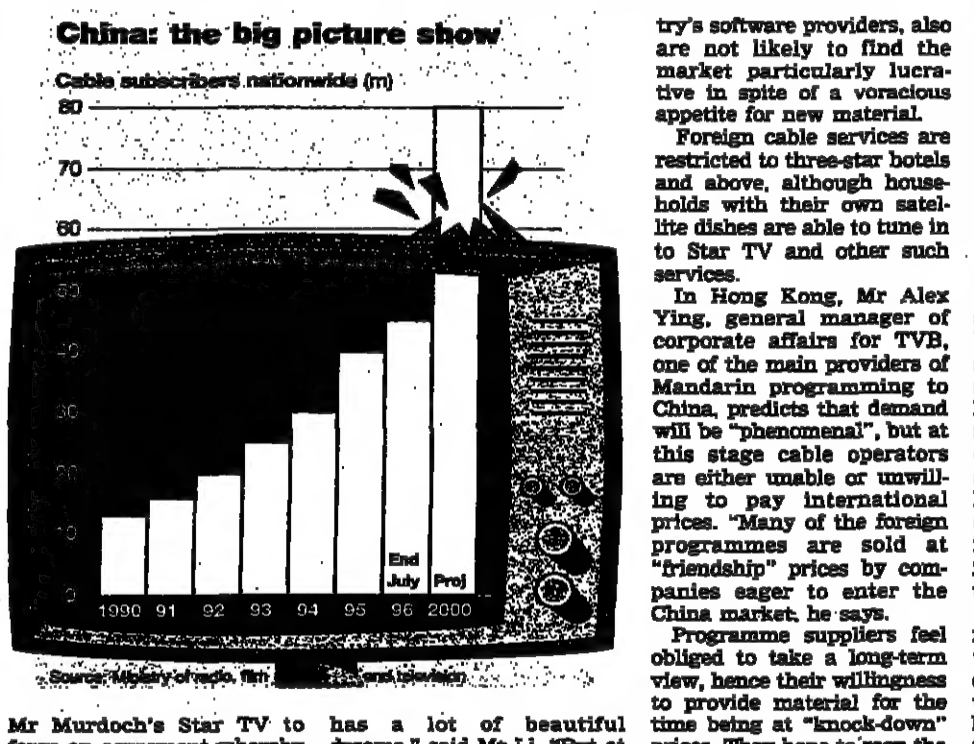
In 1990, nationwide subscribers to cable totalled just 13m households out of a television-owning population of about 250m households. At the end of July this year numbers of subscribers had swelled to 45m, and by 2000 that figure is expected to reach 80m, making China easily the biggest cable television market in the world.

Mr Li predicts that within five years cable coverage will be available to 90 per cent of China's 1.2bn people, and 98 per cent in urban areas, under the country's ninth five-year plan (1996-2000).

Gaining access to that market has become something of an obsession for foreign operators... and a continuing frustration. Bids by Mr Murdoch's Star TV to forge an agreement whereby Beijing's China Central TV (CCTV) would rebroadcast Star programming and collect cable subscriptions have come to nothing.

And judging by Mr Li's strongly negative reaction there is little prospect of Mr Murdoch securing an early breakthrough. "Mr Murdoch has a lot of beautiful dreams," said Mr Li. "But at this stage I don't think it will be possible in China for him to realise them."

In the highly sensitive area of news and entertainment China is not about to allow foreign operators even so much as a toehold in the distribution chain. Programme makers, the country's software providers, also are not likely to find the market particularly lucrative in spite of a voracious appetite for new material.



Foreign cable services are restricted to three-star hotels and above, although households with their own satellite dishes are able to tune in to Star TV and other such services.

In Hong Kong, Mr Alex Ying, general manager of corporate affairs for TVB, one of the main providers of Mandarin programming to China, predicts that demand will be "phenomenal", but at this stage cable operators are either unable or unwilling to pay international prices. "Many of the foreign programmes are sold at "friendship" prices by companies eager to enter the China market, he says.

Programme suppliers feel obliged to take a long-term view, hence their willingness to provide material for the time being at "knock-down" prices. They hope to reap the rewards as the market matures and the power of advertising makes itself felt.

Suppliers also labour under quota restrictions designed to protect local industry. According to Mr Li of the Ministry of Radio, Film and Television, China buys 2,300 programmes a year, including series, for its cable outlets - which number about 600 nationwide, apart from a further 600 services provided by local operators such as larger state-owned enterprises.

"Our aim," says Mr Li, "is to import enough foreign programmes to provide up to two television plays every day." Beijing is also working to improve its own programming and, where possible, engaging in joint production with foreign operators.

CCTV, China's powerful state-controlled central broadcasting service, stands at the hub of the new cable system, with four channels launched in 1994 catering specifically for cable. In the core areas such as Beijing and Shanghai, subscribers have access to two dozen channels and it is planned to increase coverage to at least 28 channels across China by the first half of next year.

At Beijing Cable TV, China's largest subscriber service, Mr Guo Junjin, the director, estimates the network has hooked up about half the 3.3m households in the capital. Coverage is similar in Shanghai and Guangzhou, and running at about 40 per cent in the other big markets of Tianjin east of Beijing, Chengdu and Chongqing in Sichuan province, and Wuhan in central China.

Beijing Cable has in Mr Guo's words become a "model" for the development of the industry across China. Starting in 1990 with a low wattage system provided by Marconi of the UK, the network is now installing a fibre optic cable to replace the multi-channel microwave distribution system (MMDS) which is limited in capacity and unable to provide other services such as high-definition TV and video-on-demand. The new digital system would have capacity for several hundred channels.

Beijing Cable is investing about $200m in the new service, but such is demand allied with strong growth in advertising that the network expects to recoup its investment in just 4-5 years. Beijing subscribers pay a one-off connection fee of Yn300 ($36) and Yn12 a month. Advertising revenues account for about a third of the network's revenues, but the proportion is growing quickly.

Perhaps surprisingly, given the restriction on imports of foreign programming, Mr Guo expects little problem filling time on the cable networks' multiple channels, which carry a mixture of news, sport, entertainment and increasingly popular business and economic information programmes. "Our problem," says Mr Guo, "is not a shortage of material. It is that we need more channels."

ASIA-PACIFIC NEWS DIGEST

China satellite in wrong orbit

A Chinese telecommunications satellite - launched on a Long March 3 rocket - has failed to enter the planned orbit, the official Xinhua News Agency said yesterday.

Chinese officials said the satellite, launched from the Xichang space centre in Sichuan province on Sunday, was now in a lower than planned orbit. "There was normal ignition and normal lift-off, but the satellite is not in proper orbit," said a spokesman for Great Wall Industry, which manages China's commercial satellite launches.

The satellite was launched for domestic TV and telecoms use. It was bought from Hughes Space and Communications, part of General Motors of the US. China's state-run media has said the satellite was insured for $120m, partly by the domestic People's Insurance and partly abroad.

Embarrassed by previous failures, China has become increasingly secretive about its commercial satellite launchings. In February, a rocket carrying a satellite for Washington-based Intelsat blew up within seconds of lift-off, killing at least six people, the second Chinese rocket to explode in 13 months. *Reuter, Beijing*

North-South Korean venture

The first joint venture between North Korea and a South Korean company since the end of the second world war began operating yesterday, a company official said.

"Three plants under the joint venture began operating in (the northern port of) Nampo," a spokesman for South Korea's Daewoo said. The North Korean partner in the venture is Pyongyang's Samcholli General Corporation.

The 50-50 joint venture, in which Daewoo has invested $5.12m, has a capacity to make 3.1m shirts and blouses, 600,000 jackets and 300,000 bags a year.

Daewoo was the first South Korean company to get government approval to establish an industrial venture in the communist North. The final go-ahead was given to Daewoo in May 1995. During his visit to North Korea in January 1992, Daewoo chairman Kim Woo-choong agreed with Northern officials to promote joint ventures. In November 1994, South Korea lifted a ban on business trips to North Korea and allowed local companies to set up offices there. *Reuter, Seoul*

Taiwan trip set to irk Beijing

Mr Lien Chan, Taiwan's vice president, headed for an undisclosed European country yesterday in a move likely to provoke an angry response from Beijing. Taipei share prices fell nearly 3 per cent on fears of further deterioration in already icy ties with Beijing.

Mr Lien, who is also Taiwan's premier, was reported to have briefly passed through Vienna en route elsewhere, variously speculated to be France, Switzerland, Hungary or Spain. Mr John Chang, foreign minister, would only say Mr Lien had made a detour to a "third country" for a private visit. *Laura Tyson, Taipei*

Malaysia industry growth cut

Malaysia announced yesterday industrial output grew at a slower pace in June than the average for the first half of this year, adding to evidence that the economy is slowing.

The June index of industrial output rose 6.8 per cent from the same month a year earlier and 2.5 per cent from the preceding month. This compared with an 11.2 per cent increase in the first half of 1996 over the same period last year, the national news agency Bernama reported.

Like neighbouring Singapore, Malaysia has been hit by the global slowdown in demand for electronics goods. But economists said that the overall economy remains buoyant. *James Kynge, Kuala Lumpur*

Pakistan Shia-Sunni killings

An unknown Sunni Moslem militant group claimed responsibility yesterday for an attack on a Shia Moslem meeting in Pakistan's Punjab province in which up to 18 people were reported killed. "We have retaliated for the people who were martyred in Karachi and we will defend Sunnis at every corner," the group, calling itself Lashkar-e-Jhangvi, said in a faxed statement.

The claim came one day after had gunmen fired at a Shia religious gathering in the village of Chak-205, near Mailsi, 290km south-west of Lahore, and appeared to confirm suspicions that it was a tit-for-tat retaliation for a deadly attack on a Sunni procession in Karachi last week. *Reuter, Lahore*

Indonesia riot arrest is upheld

By Manuela Saragosa in Jakarta

An Indonesian court yesterday upheld the arrest of the country's leading trade union activist on subversion charges concerning riots which rocked Jakarta last month. Observers say the move is likely to be followed by similar rulings amid a crackdown on political activists after the riots.

Ms Megawati Sukarnoputri's case challenging her government-backed dismissal from the leadership of the opposition Indonesian Democratic party is to come to court on Thursday. Rioting broke out last month when police evicted her supporters from the party headquarters in Jakarta.

Trade unionist Mr Muchtar Pakpahan, arrested three days after the July riots, filed a suit against five officials of the Jakarta attorney-general's office for alleged illegal detention.

Mr Pakpahan, a labour lawyer and former leader of the independent Indonesian Prosperous Labour Union (not recognised by the government), argued the warrant was illegal because it mentioned subversion but failed to refer to specific details. Subversion is punishable by death in Indonesia.

The judge yesterday rejected the claim and told Mr Pakpahan "the warrant contained enough detail on the charge for which the suspect was arrested". At the weekend, the authorities extended the validity of Mr Pakpahan's arrest warrant to September 28.

Ramos says Moslem insurgency has ended

By Edward Luce in Manila

Philippine President Fidel Ramos yesterday declared an end to the 24-year Moslem insurgency in his first meeting as head of state with Mr Nur Misuari, leader of the largest Moslem separatist group.

Mr Ramos said the insurgency, which has cost between 50,000 and 100,000 lives since 1972 and cast doubt over the Philippines' claim to political stability, would give way to an autonomous arrangement with the country's 5m Moslems.

The 18-member Organisation of Islamic Conference (OIC), which has sponsored the three-year peace talks, has pledged an unspecified level of investment in Mindanao, home to most of the country's Moslems, on successful completion of the deal, expected to be signed in Jakarta on August 31.

Mr Nur Misuari, who is to be appointed chairman of the autonomous council which will be in charge of allocating development funds to the region, confirmed the violent conflict was over. "We have agreed to end the war and restore peace," he told reporters after a five-hour meeting with Mr Ramos.

Mr Ramos, who promised when he was elected in 1992 to negotiate an end to Moslem and communist insurgencies, has guaranteed to step up public investment in Mindanao, one of the country's poorest regions.

The region, which covers about a quarter of the Philippines' land area, contains about half of the country's substantial gold and copper reserves and is also thought to be a potential source of oil. Petronas, Malaysia's state oil company, recently signed an agreement to prospect for oil in Mindanao.

President Ramos (right) with Nur Misuari yesterday *Reuter*

Under the deal - encouraged by Malaysia, Indonesia and Brunei, the Philippines' Islamic neighbours - the autonomous council will be replaced by a permanent autonomous structure after a plebiscite in three years. Until then, up to 10,000 Moslem guerrillas will be integrated into the Philippine military and police force.

"Barring any unforeseen disasters this is basically the end of a long and painful war," a European diplomat said. "It would be very surprising if the deal were not signed as scheduled in Jakarta at the end of the month."

Several foreign companies, including Australia's Western Mining and Renong Berhad, the Malaysian hotel and property company, have pledged investment in the region. Mindanao is also the Philippine portion of the East Asian Growth Area - a "growth triangle" comprising Brunei, the Malaysian state of Sabah and Sulawesi in Indonesia - set up in 1994. The four countries have pledged to eliminate trade barriers within the sub-region by 2000.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange *rate* is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	-174.2	-163.0	0.7623	100.0
1986	231.0	-140.6	-153.4	0.9836	81.4
1987	220.2	-131.8	-144.1	1.1541	71.9
1988	272.5	-100.2	-107.4	1.1833	67.0
1989	330.2	-99.3	-94.3	1.1017	70.0
1990	309.0	-79.3	-72.7	1.2745	65.7
1991	340.5	-53.5	-6.0	1.2391	65.7
1992	345.9	-65.2	-47.5	1.2957	64.4
1993	397.3	-98.7	-85.4	1.1705	66.3
1994	432.3	-127.0	-125.2	1.1857	65.1
1995	452.3	-122.8	-114.6	1.2928	61.2
2nd qtr.1995	110.2	-32.4	-31.1	1.3175	59.0
3rd qtr.1995	113.0	-30.5	-28.9	1.3020	61.0
4th qtr.1995	117.7	-26.9	-23.6	1.2897	62.3
1st qtr.1996	121.2	-30.6	-28.3	1.2570	63.7
June 1995	36.8	-10.7	n.a.	1.3192	59.0
July	35.5	-11.2	n.a.	1.3335	59.2
August	38.2	-9.6	n.a.	1.2954	61.3
September	39.4	-9.7	n.a.	1.2772	62.5
October	38.8	-8.2	n.a.	1.2977	61.9
November	39.0	-8.7	n.a.	1.2954	62.2
December	39.9	-9.1	n.a.	1.2758	62.7
January 1996	39.1	-11.5	n.a.	1.2634	63.6
February	41.2	-9.3	n.a.	1.2536	63.8
March	41.0	-9.8	n.a.	1.2541	63.8
April	41.5	-10.5	n.a.	1.2421	64.3
May	42.7	-11.8	n.a.	1.2282	64.6

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	96.2	86.7	164.05	150.7
1993	300.4	118.6	112.5	130.31	181.0
1994	325.1	121.8	110.6	120.99	194.9
1995	331.3	101.4	85.5	121.43	204.8
2nd qtr.1995	88.4	29.1	23.9	111.31	225.3
3rd qtr.1995	82.8	25.2	23.0	122.36	203.7
4th qtr.1995	80.3	22.0	17.8	130.87	187.8
1st qtr.1996	78.6	16.9	12.2	132.92	182.0
June 1995	29.6	10.1	8.4	111.51	225.1
July	27.1	8.1	7.5	116.38	217.2
August	28.4	8.8	8.4	122.52	202.6
September	27.2	8.3	7.2	128.19	191.6
October	26.0	6.2	4.8	130.78	188.8
November	27.1	8.3	7.0	131.98	186.8
December	27.2	7.5	6.0	129.85	187.9
January 1996	25.5	5.6	4.3	133.43	182.1
February	27.1	4.3	3.4	132.49	182.1
March	26.1	7.0	4.5	132.84	181.9
April	27.2	3.9	2.7	133.12	180.7
May	29.4	6.1	4.7	130.67	183.1

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.0*	*22.5*	*2.2260*	*100.0*
1986	*248.5*	*53.3*	*41.3*	*2.1279*	*108.6*
1987	*254.4*	*56.7*	*40.0*	*2.0710*	*114.9*
1988	*272.8*	*61.4*	*41.9*	*2.0739*	*114.1*
1989	*310.1*	*65.2*	*52.0*	*2.0681*	*113.3*
1990	323.8	51.7	38.5	2.0537	118.1
1991	327.5	11.1	-15.6	2.0480	117.1
1992	330.9	16.8	-16.6	2.0187	120.6
1993	325.2	30.6	-13.9	1.9337	125.3
1994	360.0	37.0	-17.9	1.9198	125.6
1995	395.0	49.1	-13.5	1.8509	132.1
2nd qtr.1995	99.3	11.9	-0.4	1.8402	133.3
3rd qtr.1995	99.5	12.2	-6.6	1.8624	131.7
4th qtr.1995	100.7	12.9	-4.2	1.8365	132.3
1st qtr.1996	100.2	12.7	-2.0	1.8455	130.6
June 1995	34.0	3.6	0.3	1.8465	132.7
July	32.7	3.8	-3.1	1.8511	133.0
August	32.2	4.1	-2.5	1.8705	131.1
September	34.6	4.4	-1.1	1.8656	131.1
October	33.5	4.0	-2.5	1.8357	132.9
November	33.7	5.3	0.2	1.8363	132.4
December	33.6	3.6	-1.9	1.8374	131.6
January 1996	33.4	3.4	-2.1	1.8460	131.0
February	33.8	5.2	0.4	1.8377	130.8
March	33.2	4.0	-0.8	1.8528	130.1
April	33.4	4.6	-0.3	1.8715	129.0
May	32.8	4.5	-1.3	1.8827	127.7

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	-3.7	-0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	-4.6	-3.7	6.9265	102.7
1988	141.9	-4.7	-3.4	7.0354	100.6
1989	162.9	-6.3	-3.6	7.0169	99.6
1990	170.1	-7.2	-7.2	6.9202	103.8
1991	175.4	-4.2	-4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	13.3	8.0	6.6281	109.1
1994	198.8	12.9	5.4	6.5659	110.1
1995	222.1	16.2	12.8	6.4460	113.4
2nd qtr.1995	55.8	4.3	4.1	6.4802	113.2
3rd qtr.1995	55.2	3.2	0.9	6.4363	114.0
4th qtr.1995	56.1	4.3	2.4	6.3560	114.3
1st qtr.1996	57.7	4.6	5.4	6.3281	113.9
June 1995	18.7	1.4	1.5	6.4818	113.1
July	18.0	0.8	-0.1	6.4424	114.3
August	18.6	1.3	0.7	6.4322	114.1
September	18.6	1.2	0.4	6.4344	113.7
October	18.5	1.2	0.6	6.4104	113.6
November	18.9	2.0	1.4	6.3308	114.8
December	18.7	1.2	0.4	6.3289	114.4
January 1996	19.1	1.2	2.1	6.3221	114.4
February	18.7	1.5	1.7	6.3189	113.7
March	19.8	1.9	1.6	6.3434	113.7
April	18.4	0.6	0.3	6.3489	113.9
May	19.2	1.8		6.3707	113.3

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	100.7	-7.5	-2.1	1494.3	101.1
1988	108.3	-8.9	-8.0	1536.8	97.7
1989	127.8	-11.3	-17.0	1509.2	98.6
1990	133.6	-9.3	-18.0	1523.2	100.1
1991	137.0	-10.5	-17.7	1531.3	98.7
1992	137.9	-8.0	-21.5	1591.5	95.6
1993	144.3	17.9	9.7	1836.7	80.5
1994	160.1	18.6	13.1	1908.6	77.0
1995	177.9	21.1	20.1	2106.4	69.4
2nd qtr.1995	44.5	5.0	5.9	2199.2	66.4
3rd qtr.1995	43.8	7.1	7.1	2096.4	70.0
4th qtr.1995	49.3	6.0	5.0	2061.0	70.4
1st qtr.1996	47.6	4.8	-1.2	1976.7	73.2
June 1995	16.4	1.8	2.4	2161.4	67.5
July	16.4	3.5	2.9	2146.5	68.3
August	11.3	2.0	2.2	2080.2	70.6
September	16.1	1.6	2.0	2062.6	71.0
October	16.4	2.1	2.1	2084.7	69.8
November	16.3	2.0	1.0	2064.8	70.3
December	16.6	1.9	2.0	2033.6	71.1
January 1996	13.6	0.1	-1.1	2001.4	72.4
February	16.2	2.1	1.2	1969.6	73.3
March	17.8	2.7	-1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May	18.1	3.9	4.0	1912.3	76.2

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	-5.7	3.8	0.5890	100.0
1986	108.3	-14.2	-1.3	0.6708	91.1
1987	112.3	-16.4	-6.8	0.7047	89.3
1988	120.9	-32.3	-24.9	0.6643	94.7
1989	137.0	-36.7	-33.3	0.6728	91.9
1990	142.3	-26.3	-26.2	0.7150	89.8
1991	147.7	-14.7	-11.4	0.7002	90.5
1992	145.9	-17.9	-13.8	0.7359	87.1
1993	156.0	-17.2	-13.8	0.7780	79.9
1994	174.1	-14.0	-3.1	0.7736	80.1
1995	186.0	-14.2	-3.5	0.8190	76.2
2nd qtr.1995	45.1	-4.0	-1.2	0.8253	75.7
3rd qtr.1995	46.8	-4.3	-1.3	0.8268	75.7
4th qtr.1995	47.4	-3.9	-1.5	0.8267	75.0
1st qtr.1996	49.2	-4.3	-1.3	0.8208	75.0
June 1995	15.3	-1.2	n.a.	0.8271	75.5
July	15.1	-1.2	n.a.	0.8358	75.1
August	15.6	-1.4	n.a.	0.8261	75.8
September	16.1	-1.6	n.a.	0.8183	76.2
October	15.4	-2.0	n.a.	0.8224	75.7
November	16.3	-0.8	n.a.	0.8291	74.8
December	15.7	-1.3	n.a.	0.8285	74.5
January 1996	16.0	-1.7	n.a.	0.8254	74.8
February	16.4	-1.6	n.a.	0.8159	75.3
March	16.8	-0.9	n.a.	0.8212	75.0
April	16.7	-1.6	n.a.	0.8201	75.2
May	17.3	-1.2	n.a.	0.8108	76.0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

NEWS: UK

Brussels may step in again in cable TV row

By Raymond Snoddy in London

Cable companies in Britain are likely to seek European Commission intervention again in what they see as unfair market dominance by British Sky Broadcasting, the satellite television venture.

The cable companies have already claimed to Brussels that the wholesale price they have to pay BSkyB for most of their important channels, such as Sky Movies and Sky Sports, means they are unable to offer cable television subscribers good value. Mr Rupert Murdoch's News Corporation is the dominant stakeholder in BskyB.

Earlier this year the Commission expressed interest in the case, but said it would wait to see if the issue could be resolved in Britain.

The cable companies fear that undertakings given by BskyB to the Office of Fair Trading in Britain will fail to yield conditions satisfactory to them.

They say they have to pay 60 per cent of the rate BSkyB charges its dish-owning customers before going on to negotiate rights to a number of channels not owned by BSkyB. "We are paying for a 10-ounce can of beans and only getting six ounces," Mr Bradley Herrman, a senior executive at Videotron, said yesterday. Under existing rules, including a recent BSkyB subscription price rise, the retail price that BSkyB charges dish-owners a month is less than the wholesale price BSkyB charges cable companies, Mr Herrman claimed.

Cable companies such as Videotron, General Cable and CableTel are concerned that the Office of Fair Trading in the UK is now unlikely to do much to change the terms of trade between BSkyB and cable companies.

Last month after a six-month investigation Mr John Bridgeman, the director general of fair trading said BSkyB's acquisition of premium programming, such as exclusive sports rights, had created a barrier to entry.

"The barriers to entry raise concerns that although BSkyB is not acting anti-competitively the competitive process is being impaired," Mr Bridgeman said then. The OFT said new undertakings had been secured from BSkyB, including a promise to produce a revised rate card and submit it to the director general.

Unless the new rate card offers fundamentally changed terms, the cable companies, with the likely backing of the Cable Communications Association, are expected to return to Brussels.

BSkyB has agreed to drop its insistence that cable companies offer a package of basic channels.

BSkyB is today expected to announce pre-tax profits of more than £250m ($387.5m) for the 12 months to the end of June.

Shakespeare's Globe prepares for encore

London's replica Globe theatre – an American directors' dream made possible by British craftsmanship – tomorrow opens its doors for its first season of Shakespeare.

Yesterday the final touches were being added to the main part of a 25-year-old project conceived by Sam Wanamaker, the US actor director who died soon after building began three years ago.

Nails were still being banged into wooden benches, and there was similarly hectic last minute painting of the props for the performance of *The Two Gentlemen of Verona*.

In spite of the last-minute building work, the biggest risk the project faces on its "sell-out" first night, is from the weather. The forecast of thundery showers breaking London's sultry summer later today could mean a third of the audience getting unceremoniously soaked.

In its drive for authenticity, the Globe has an uncovered area in front of the stage where 500 people will stand just as the "groundlings" did in the 16th century.

Safety regulations mean that no one will be allowed to carry umbrellas, although tomorrow's audience will have one facility not available to the groundlings: toilets are within easy access in the adjacent buildings although not in the theatre itself.

It will also be much less of a crush. The theatre has a 1,500 capacity, compared with the 3,000 of its original.

According to theatre officials, the Globe is well on target to attracting 500,000 visitors a year by 1999, generating enough income to finance all the administration costs of the completed complex.

With £12m ($18.72m) of National Lottery money already invested in Globe, a further £6.5m is being sought to finance the completion of a Shakespeare exhibition and building of an education centre.

In an effort to get it, the Globe's head of fundraising, Ms Elizabeth Herbert, is offering hospitality packages. There are no takers yet, but Ms Herbert is hopeful there will be by 2pm on September 21 1999, 400 years after the first recorded performance at the Globe and the planned completion date for the whole complex.

The theatre itself will not be considered fully completed until next June when a festival of Shakespearean theatre will be held.

Jimmy Burns


Ashley Ashwood

Midsummer night's dream: final seating preparations foreshadow what will be for some the realisation of a 25-year goal

Six-month delay for computer system to track offenders

By George Parker, Political Correspondent

The introduction of a Home Office computer system, intended to keep checks on offenders on probation, has been delayed by at least six months.

Mr Michael Howard, the home secretary, has ordered Bull Information Systems to make a series of changes to the system after staff complained it was unwieldy and user-unfriendly.

Staff claim to have been so confused by the system – part of a £97m probation service initiative – that information on some dangerous offenders may have been wrongly stored.

The National Association of Probation Officers claims the system developed by Bull is so complicated that it may never fully come into service.

"If this system is ever delivered it will be expensive and unpopular," Mr Harry Fletcher, the association's assistant general secretary, said. "The system is being imposed by the Home Office, and is inferior to some of the in-house systems developed by individual probation services."

The Home Office insisted yesterday that the nationwide computer network would be introduced in a rolling programme over five years across all 54 probation services in England and Wales. It admitted that pilot projects had thrown up "a few problems".

Bull was commissioned in 1994 as the prime contractor to develop a case records administration and management system (Crams), as the basis for a nationwide probation service network. It declined to comment yesterday.

The project was designed to allow probation officers to track offenders across the country, and to allow information held on an offender to be passed between different services.

But the programme has been beset by problems. At one stage software had to be rewritten after Home Office officials discovered it referred to probation service "clients", rather than "offenders" – eventually it was agreed to refer to "cases".

In November 1995 the Bull system was introduced in two pilot areas – Surrey and the West Midlands – but staff complained the system was too complex.

Surrey probation service spent most of a year's training budget on teaching staff to use the computers.

Officers have also argued that health and safety was sometimes overlooked when computers were installed.

Mr Alex Carlile, Liberal Democrat home affairs spokesman, has asked Commons questions about the system and yesterday said he did not believe Home Office assurances that the six-month delay would not push up the cost of the project.

Charities challenge asylum measures

By Mark Suzman, Social Affairs Correspondent

Charities yesterday mounted a judicial challenge to government plans to make cuts in asylum seekers' benefits retroactive, as local authorities were left in confusion over how to implement the new regulations.

A final High Court ruling on the joint action by Shelter, the charity for the homeless, and the Refugee Council was postponed to give ministers time to respond. But the charities obtained a temporary injunction against plans by a south London council to evict affected tenants immediately.

The moves represent a last-ditch attempt to stop the controversial measures, due to take effect yesterday, from being implemented retroactively to February. Shelter estimates that about 600 families could face eviction if the challenge fails.

The regulations – which remove eligibility for benefit from asylum seekers who are appealing against judgements or failed to apply for asylum within 24 hours of arriving in the UK – have been the subject of bitter political debate since first being proposed last October.

Mr Peter Lilley, the social security secretary, initially implemented the moves in February, but they were struck down by the High Court in June on the grounds that they violated the rights of asylum seekers and required primary legislation. The measures were reintroduced by the government in the asylum bill, which was finally passed last month.

But there is now confusion among local authorities over how to implement the measures. According to the Department of the Environment, the provisions are retroactive to February but a spokesman for the Department of Social Security said yesterday they should apply from this month.

Corporate governance review shows companies failing to curb excessive top-level pay

Executive bonus scheme code 'flouted'

By William Lewis in London

Companies have ignored, and in some cases *flouted*, key recommendations on executive bonus schemes made by the Greenbury report on executive pay, according to consultants.

Long-term bonus plans (L-Tips), introduced by companies following publication of the report, could lead to "excessive payments" to directors for below average performance, a study by Pirc, the corporate governance consultancy, says.

The committee chaired by Sir Richard Greenbury reported last year in response to concern about the high level of remuneration offered to boardroom "fat cats".

One of its most important recommendations was that companies should replace share option schemes with L-Tips because they were more likely to align directors' and shareholders' interests.

L-Tips, which typically involve the payment of shares to directors if their company beats financial or share-price targets, was one of Greenbury's most important recommendations. However, Pirc found 48.4 per cent of companies it surveyed had added the L-Tip to an existing share option scheme.

The Greenbury report also said directors should wait a minimum of three years before taking L-Tip payouts. But "this recommended minimum has become in practice a maximum, with over 90 per cent of schemes setting this as their performance period", Pirc says.

The consultancy concludes that "central elements of the Greenbury report on L-Tips are not being followed", and that "too many schemes have been designed without attention to the recommendations of the Greenbury report".

The study is the first in a series by Pirc examining whether companies are complying with the report's most important elements. The studies will be submitted to the Hampel committee, which will examine implementation of the Greenbury report and other corporate governance rules.

Pirc, which advises institutional investors, analysed 31 L-Tips put forward by companies for shareholder approval between January 1 and July 17 this year.

Greenbury stated that companies should avoid "excessive payments", but Pirc found the most common maximum payment from L-Tips was worth 75 per cent of directors' remuneration. Greenbury also said performance targets for directors' payouts should be "stretching", yet 42 per cent of Pirc's L-Tip sample will pay out for below-average performance.

Names drop Lloyd's rescue plan challenge

By John Mason and Ralph Atkins in London

Rebel Lloyd's of London Names yesterday abandoned efforts to force an appeal against their defeat in a judicial review of the insurance market's recovery plan, but refused to close the door on future legal action.

The decision by the Paying Names' Action Group (PNAG) came as Lloyd's sought to head off another potentially destructive legal action, in a US federal court in Virginia. Underlining the importance of that case, Mr Ron Sandler, Lloyd's chief executive, is in Virginia to give evidence.

PNAG represents Names – individuals whose assets have traditionally supported Lloyd's – who have met all their liabilities but feel the reconstruction plans discriminate against them and in favour of those who defaulted on their debts.

The US challenge comes eight days ahead of the August 28 deadline Lloyd's has set for Names to accept the out-of-court settlement which is part of the recovery plan.

Disgruntled US Names are claiming that the recovery plan should comply with US securities laws.

An application by Lloyd's to have the action dismissed was expected to be heard first, with the Names' bid for an injunction freezing the recovery plan considered later.

In the UK, PNAG decided against asking the Court of Appeal for its case to be reopened. Its decision followed a High Court ruling last week that Lloyd's had acted legally in drawing up its "reconstruction and renewal" proposals. The High Court refused leave to appeal.

Mr Tony Welford, the group's chairman, said the group had decided not to press for an appeal partly because it would have required an extra £100,000 ($156,000), and raising the extra funds over the weekend "was an impossible task".

However, he said the group was keeping its options open and would see whether the Virginia case ended up "doing our job for us". But Mr Welford stressed: "I don't want to do anything that will damage Lloyd's. I just want to get fairness between all Names. I do know there are a whole lot of people who are suffering enormous financial damage."

Sunshine spurs FT-SE 100 rise

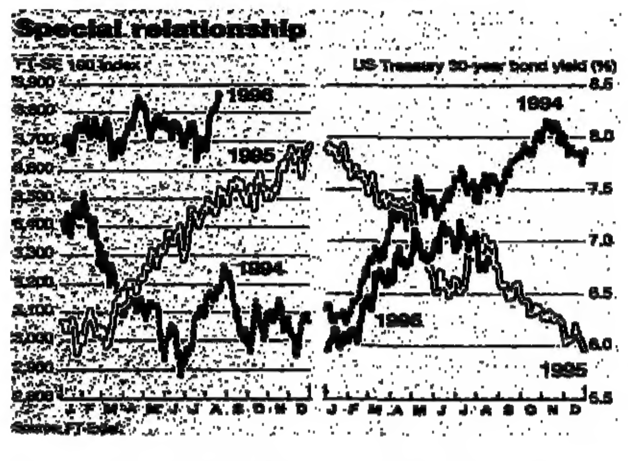
Trend in US bonds also helps lift index to all-time closing high

Suddenly, the UK stock market is basking in the sunshine. The FT-SE 100 index chalked up an all-time closing high of 3,872.9 on Friday and managed an intra-day high of 3,877.9 yesterday.

The change in sentiment has been striking. For much of the year, London has looked enviously on as other world stock markets surged ahead. In the first half of the year, the FT-SE-A All-Share Index rose by just 3.3 per cent, while the Dow Jones Industrial Average in the US climbed by 12 per cent and the World (ex-UK) index rose by 6.5 per cent in *sterling terms*.

The past few weeks have seen a series of corporate results which were in line with, or better than, expectations. And UK economic data have shown few signs of inflationary pressure, indicating that Mr Kenneth Clarke, the chancellor of the exchequer, may be able to cut base rates further in spite of the opposition of the Bank of England, the UK central bank.

But the international background has done much to contribute to the change in mood. In the middle of July, most investors were convinced that the US Federal Reserve would raise interest rates when it met today to head off inflationary pressures. However, the recent run of US data have



indicated that the economy might be slowing and investor opinion has switched to believing the Fed will leave rates unchanged.

In response to calming fears about inflation, the 30-year US Treasury bond yield has dropped from 7.25 per cent to 6.75 per cent, with knock-on effects in other international bond markets. Since bonds are a potential alternative investment to equities, a fall in bond yields makes shares look more attractive – and is normally a positive influence on stock markets.

World markets generally have rallied in response to the US rate picture. But the UK has also been able to catch up some of the ground lost earlier in the year – the All-Share has gained 5.7 per *cent since July 16, against* 3.8 per cent for the World (ex-UK) index.

One reason for the UK market's earlier weakness was that investment institutions spent much of the year reducing their exposure to UK shares. Polls conducted by Gallup on behalf of Merrill Lynch, the securities house, repeatedly showed that investors were net sellers of domestic equities.

However, a consequence of that shift is that investors built up plenty of cash, enabling them to move quickly into the market when the mood changed.

August is traditionally one of the slowest months for share trading, with many dealers away on holiday. As a result, those investors who are trying to put cash into the market have found that their orders have had a significant effect on prices.

Institutional caution earlier in the year may have been due to signs of a slowing of UK and mainland European economies, which created worries about scope for profit growth. But more recent data have shown signs of a pick-up in the UK, particularly in the consumer sector, with house prices and retail sales rebounding. The UK corporate sector has also been restructuring and is focusing on cost control.

Another factor which had held back the market was *political risk. Investor fears* of a possible Labour government in the UK have concentrated on micro-economic issues such as the minimum wage, acceptance of the EU social chapter and potential changes to the tax system to discourage dividend payments. These policies are expected to bite into corporate profits and reduce the attractiveness of shares.

Investors may feel the risks are "priced in" to markets, given that Labour has been ahead in the opinion polls for so long. But as the election grows closer – it must take place by the end of next May – jitters about the result may return and pose the biggest threat to the recent rally.

Philip Coggan

UK NEWS DIGEST

Nokia joins train project

Nokia, the Finnish electronics group, has won the contract to provide mobile radio for the Northern Line, one of the most complex parts of the London Underground.

The contract, worth some £10m ($15.6m) to the Finnish company, is with GPT Strategic Communications Systems, which in turn is under contract to GEC Alsthom. GEC Alsthom has a contract to provide train services on the Northern Line. Nokia will be responsible for the supply, installation and commissioning of the complete radio system. Nokia believes the contract is important less because of its value than for the opportunities it opens up for the technology – it plans to develop the system for other markets. *Alan Cane*

■ MAIL STRIKE

Talks with unions stepped up

The chief executive of the Post Office intervened publicly yesterday for the first time in the postal service's worsening industrial conflict and called a meeting for tomorrow of the leaders of all three trade unions involved.

Mr John Roberts intends to spell out the growing threat to the Post Office's commercial future if the postal dispute is not settled quickly and the government carries out its threat to suspend the Royal Mail's letter monopoly for a further three months from September 5. *Robert Taylor*

■ CREDIT SERVICES

Overseas cards raise competition

The recent arrival of mostly transatlantic competitors, such as International Bank and People's Bank, offering no-frills, low interest credit cards, has polarised the market, according to a report published yesterday by Datamonitor, the research group.

The arrival of the new cards, competing almost entirely on interest rates, has forced banks to respond with benefits packages offering points for money spent on their cards. According to Datamonitor, the banks have chosen *to protect earnings rather than market share. It said the* market share of the leading six issuers was 86 per cent, but falling.

● Capital Shopping Centres, one of the UK's largest retail property companies, is to launch a Visa card at its out-of-town Lakeside centre in eastern England. The move reflects a trend among retailers to expand into financial services and follows the launch by Tesco, the supermarket chain, of an interest-bearing current account attached to its Clubcard loyalty scheme. *Motoko Rich*

■ EUROSCEPTICS

Tories question ID card symbol

Mr Michael Howard, the home secretary, has delayed the launch of a national voluntary identification card, amid concerns from Tory MPs that the card might give the European Union flag precedence over a British symbol.

Government officials said Mr Howard was adamant that a British symbol – possibly the royal crest currently used on UK passports – would be "of equal, if not greater, size" than the EU's star-spangled blue flag. The card could be used as both a driving licence and passport for use within the EU. *George Parker*

TECHNOLOGY

Minitel is trying to fight off the challenge of its more glamorous rival, the Internet, writes **Kim Thomas**

Keyed up and ready for battle

It sounds like a dream computer network: it offers 26,000 services and has 14m users who spend 110m hours connected to it each year. It can be used to book train and air tickets, make theatre reservations and look up the latest information on the stock exchange. It brings in FFr7bn (£890m) of revenue a year for its owners, France Telecom.

Yet, despite its undoubted popularity, the Minitel may be under threat from a newer, more glamorous rival: the Internet.

Minitel is one of the technological success stories of the 1980s. It is impossible for visitors to France not to notice the ubiquitous terminals dotted around public areas such as train stations, cafes and post offices. For the French, Minitel is simply a familiar part of the landscape, as much a part of daily use as the public call box in other countries.

Minitel (or Teletel, as it is more correctly called) was introduced in 1982 by the government-owned France Telecom as a way of providing a centralised network of information. Like the now-defunct Prestel network in the UK, Minitel is a videotex system, which means that a screen and keyboard are connected electronically to a phone line, allowing the transmission of text and simple pictures.

The first thing to go on the network was the national telephone directory – and that is still Minitel's most frequently used facility. This was followed by a vast range of services provided by commercial suppliers – not only booking facilities, but the ability to buy goods, read bulletin boards, pay bills and send e-mail.

The monochrome, character-based Minitels begin to look old-fashioned, however, when compared with the Internet, which not only offers sound, colour, animation and video clips, but allows users access to services worldwide. The current extent of Internet use in France is difficult to estimate, but the number of Internet hosts has increased by 615 per cent in three years, and there are now 3,000 French Net sites.

Faced with such a powerful competitor, it might seem that Minitel's days are numbered, but France Telecom is not taking the challenge lying down.

Its response has been two-fold. First, it has launched a new generation of Minitel terminals, the Magis, Magis Club and Sillage. The Magis and Magis club terminals have colour screens, a baud rate of 9,600 bps (eight times faster than traditional Minitels) and a built-in, and highly secure, credit card reader. The Sillage is essentially a telephone with a display screen, which combines three functions in one: phone, answering machine and Minitel access.

Second, France Telecom has launched its own Internet service provider, Wanadoo, which provides Internet connections at the cost of a local phone call. Bruno Janet, a France Telecom spokesman, regards the two services as complementary, rather than competitive.

"It is not the aim of the Minitel to have sound or pictures. The Minitel is a simple facility that can be used by families," he says. "The Internet is for high-level users – you do not get a PC in every household." He points out that, in spite of a decrease in Minitel usage in 1995, the figures for the first four months of 1996 show an increase of 5 per cent.

Janet believes that greater Internet access actually encourages people to use the Minitel: "A good analogy is with mobile phone use. More and more people are using mobile phones in France, but the use of fixed phones is also going up."

Just to be on the safe side, France Telecom has ensured that it is possible to access Minitel via Wanadoo, so that even Net enthusiasts do not have to choose between the two networks. And there is no reason why they should, argues Janet: "If French people want Minitel, they can have Minitel. If they want Internet, we can give them access. It is not our strategy to oblige people to choose."

He points out that even Net users may still need to use the Minitel from time to time: "On the Minitel it is possible to buy goods, or to pay for train and aircraft tickets. That is much less common on the Internet."

France Telecom has launched a new generation of Minitel terminals as well as it own Internet service provider

Perhaps the trickiest area of comparison between Minitel and the Net is that of cost.

At first, Minitel seems to lose out. Although the basic model of Minitel terminals is provided free of charge, the cost of connection is high. Furthermore, if you want a Magis or Magis Club you have to pay, and the credit card reader costs more.

Advocates of the Internet point to its relatively cheap connection costs, but neglect to mention that the initial outlay for a high-specification PC and modem is unlikely to be less than £2,000.

It need not be the case that the Internet will wipe out Minitel. France Telecom is making sure that Minitel use expands, or at least remains static, by increasing the connections between the two services.

Internet users can now send e-mail to Minitel users, and vice versa.

And while it is possible to spend many happy hours surfing the Net, if you want to do something useful, like pay your electricity bill or find out the train times to Calais, Minitel is still your only option.

Whatever happens, Janet is philosophical about the outcome. "I do not know if Minitel will exist in 30 years," he says, "but we are very optimistic."

Readers interested in accessing Minitel from their PC can download the emulation software from www.Minitel.fr/English/Gateway/connect.html.

Research with a pinch of spice

Hugh Aldersey-Williams on the role of independent mediators in R&D

R&D

Corporate research and development faces a paradox. Research activity is increasingly concentrated within the companies best able to afford it, the largest corporations which dominate their markets. And their research goals are increasingly closely aligned with the aims of corporate strategy.

This is a logical consequence of increased global competition. But it is not good for a high level of innovation. Corporate research has become more narrowly focused, says David Liddle of Interval Research Corporation in Palo Alto, California, so that the very companies most able to do research are those most likely not to take it on into development.

Liddle believes he has a way out of this predicament. Interval Research was set up in 1992 with $100m (£64m) from Paul Allen, co-founder with Bill Gates of the software giant Microsoft. Liddle portrays the nearly 100-strong company as an itinerant research agency, working with universities to stimulate ideas, then selling the results on to interested companies.

For two years, 3M of the US has been running a similar network to accelerate the development of ideas already fairly close to market. It has 150 companies on board as well as government laboratories and universities.

3M acts as a nodal point, offering the expertise of an appropriate 3M research location. The innovator typically retains the rights but 3M may take out a licence to sell the idea on the global markets to which it has easy access.

Corporations that have shortened the timeframe within which they expect an innovation to deliver commercial benefits, typically from 15 to five years, are finding that they are simply failing to sow the seeds for future growth, warns John Howells, 3M's UK technical director. Did they get where they are today by doing this kind of thing? No they did not, he says.

More or less independent mediators such as these may become a feature of commercial R&D in the future, adding spice to the research efforts of the largest corporations and providing small and medium-sized enterprises with an attractive alternative to funding in-house research and development.

Liddle can claim personal familiarity with the frustrations of research in a large corporation. At Xerox's Palo Alto research centre during the 1970s, he was a member of the team that developed the Star workstation, a project incorporating a pioneering graphical user interface. Beset by strong competition in its core copier business, Xerox failed to capitalise on the research, leaving it for Apple and then Microsoft with Windows to bring these interfaces successfully to market.

Part of Interval Research's agenda is to continue to explore ways in which electronic and media products might be made easier and more fun to use. In the US, Interval Research has set up collaborations with Stanford University and the Media Laboratory at the Massachusetts Institute of Technology. But its biggest investment has been a £2.5m five-year sponsorship at the Royal College of Art in London, which has set up a research studio in its department of computer-related design.

The RCA Research Studio and Interval Research undertake joint projects both privately and for external clients. Interval researchers pay frequent visits to the college and students enjoy internships at Interval's headquarters in California. Employing researchers as consultants in this way allows Interval Research to assemble the multi-disciplinary teams necessary for confidential projects without the need for complex intellectual property agreements.

Designers at the RCA's research studio have worked with Interval Research scientists on projects for Apple Computer and LG Electronics (formerly Lucky Goldstar) looking at new ways to improve interaction and make better use of flat-screen LCD technology.

Other projects use three-dimensional objects as a more satisfactory indication of data that is normally communicated within the two dimensions of the ubiquitous screen. One example is telephone answering machines whose messages are contained in memory modules that look like marbles.

Another theme is the exploration of the human senses usually neglected in computer interaction. How, for example, might sound convey a sense of presence in a virtual location? A haptic (touch-based) shaker demonstrated at the college degree show in June transmits the feeling of contact. Such a device might make it possible to reintroduce the ritual of a kind of handshake to video conferences.

Liddle was in London for the degree show and to sing the praises of the collaboration as the RCA looks to add British partners for future pre-competitive research projects. As a British institution, says Gillian Crampton Smith, the RCA's professor of computer-related design, it would be good if its activities could benefit British companies.

ARTS

A feast for the eyes

William Packer reviews Velazquez in Edinburgh

Soon after he took on the directorship of the Edinburgh Festival some years ago, Brian McMaster went on record in saying that, under him, the visual arts would not be neglected. In the event they remain as much outside the festival fold as ever. Not, as Lord Lindsay, Minister for the Arts in Scotland, said to politely embarrassed laughter when the Director of the Scottish National Galleries put the point to him at a meeting early last week, that you would know. Not, indeed, that he knew himself.

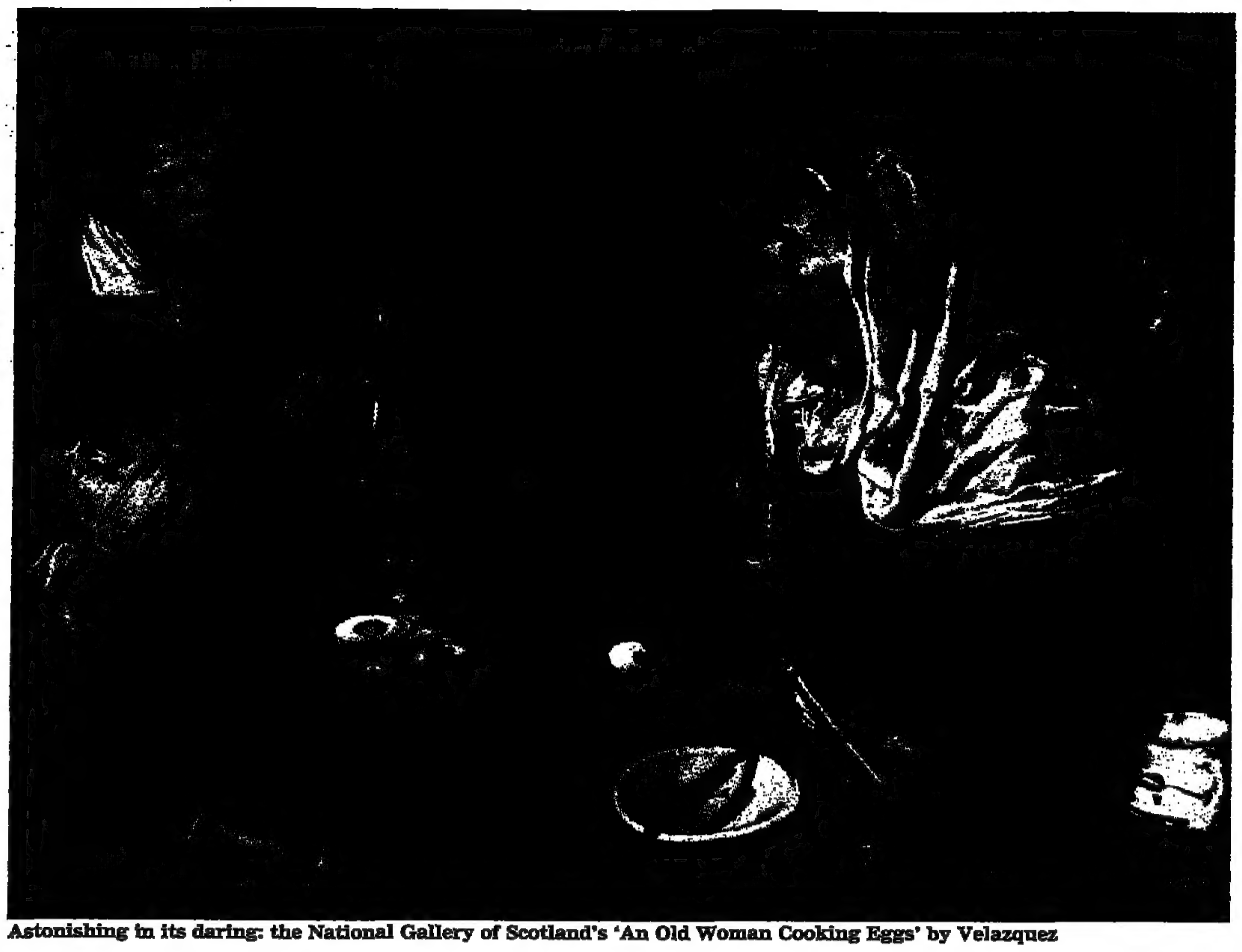
For the truth of it is that the people who run Edinburgh's galleries, public and private alike, are not fools, and are not going to leave their walls and spaces bare of interest with the city more full of people than at any other time of year. But they get no festival thanks for their pains, let alone any official co-operation or publicity. Perish the thought they should get any actual financial help, not even the smallest share in the common pot of arts council, local authority and sponsorship funds available, currently some £3.3m. *Pace* the Minister's self-confessed ignorance, such cynical exploitation of the professionalism of others has long since grown from complaint into scandal. It is more than time that Mr McMaster kept his promise.

The joke, though I doubt he would recognise it as such, is that there is nothing in his festival this year that matches in importance at least two of the concurrent exhibitions. Several more, such as Callum Innes at Inverleith House, Helen Chadwick at Portfolio, Arthur Melville at Bourne Fine Art, and the show of contemporary Chinese Painting, *Reckoning with the Past*, at the Fruitmarket, would grace any that took itself seriously as a true Festival of the Arts. I shall return to them in future articles.

As for the Giacometti retrospective now at the Scottish National Gallery of Modern Art, which I reviewed in June, it is simply the best full study of this great artist that I have seen. Beautifully installed, it has the special virtue of at last establishing Giacometti the painter on the same plane of accomplishment and importance as the sculptor. Each *oeuvre* now stands as a discrete but related entity, but it is the whole artist we celebrate. I make no apology for mentioning him again.

Then there is the small, concentrated show of the young Velazquez at the National Gallery of Scotland which is of an importance out of all proportion to its size. This on its own supplies sufficient excuse for the trip to Edinburgh, festival or no festival. There are those who would argue that there has been no painter greater than Velazquez, ever, and while we may doubt the value of such ranking exercises, there are few of us, save Mr McMaster perhaps, who would not cross a city to spend some considerable time with a single example of his work.

The Scottish National Gallery has one such, the "Old Woman Cooking Eggs" of 1618, painted in his native Seville when the artist was barely 19. His precocious mastery is no close-kept secret, but it still astonishes – the close pictorial space so clearly defined by the objects set within it; the monumental authority of the figures, moderated by their poignant naturalism; the sheer realism of the still-life; the daring modernism of the Caravaggesque chiaroscuro; and the no-less daring common-place simplicity of the subject-matter.



Astonishing in its daring: the National Gallery of Scotland's 'An Old Woman Cooking Eggs' by Velazquez

The gallery has brought together a further 18 of Velazquez' paintings from this time, before he left Seville for the Royal Court at Madrid in 1623, along with a handful of more doubtful attribution, and some contemporary works to set the context – by Ribera and Ribalta and, notably, Velazquez's teacher and father-in-law, Francesco Pacheco.

There are religious paintings, large and small, St John on Patmos, St Thomas, the Adoration of the Magi and so on, and a portrait or two, but at the heart of it, and making it the truly remarkable show it is, are the "Bodegones", of which the "Old Woman" is but the most remarkable.

These are the scenes from modern, mundane life, the maid in the kitchen about her tasks, the men at the table in the tavern, the group of musicians, all beset with the archetypal still-life of mug and plates and simple food. All carry implicit conventional moralities of austerity and indulgence, the passing of time, life and death. Scholars debate whether the vignette of Christ preaching in the House of Martha, seen beyond the shoulder of the maid, is actually seen through a hatch in the wall, or as a picture or in a mirror on the wall. It has to be a mirror, but it hardly matters.

For what rivets us so is not the interpretation but more formal consideration. The focus is sharp, the eye clear and uncompromising, fixed with all the intensity of youthful determination upon seeing things as they really are – space, form, light, texture; jug, onion, bowl, dish. In Madrid that touch and focus would soften into something rather more subtle, delicate and sophisticated, but never more brave and honest. The honesty was set, and would never leave him.

Velazquez in Seville: National Gallery of Scotland, The Mound, Edinburgh, until October 26. Sponsored by The Royal Bank of Scotland and Banco Santander.

The Proms

Czechs hold the baton

The Prom on Saturday was dedicated to the memory of Rafael Kubelík. Although he had conducted infrequently in his later years, Kubelík commanded great authority from the wings of Czech musical life and his loss is keenly felt, both in his homeland and in Britain, where he was briefly music director of the Covent Garden Opera in the 1950s.

Other Czech conductors have followed him here and two of them had Proms over the weekend. On Thursday, the Royal Liverpool Philharmonic visited with its principal conductor, Libor Pešek. They brought with them a Janáček novelty – the late incidental music to *Schluck und Jau*, just ten minutes long, but typically teeming with ideas, as though Janáček wanted to say as much as he could before time ran out – and Berlioz's *Symphonie fantastique*. Pešek delivered the goods in the symphony and some fine wind solos added distinction to the playing.

On Saturday, the BBC Symphony Orchestra was back on the platform with its principal guest conductor, Jiří Bělohlávek. By appointing a Czech conductor to a resident position, the BBC has also hired a guide to the less familiar corners of Czech music.

This was a most appealing programme, each half featuring a choral work that had only been heard once previously in Prom history. Dvořák's *Te Deum* is in many ways standard fare for the composer, lyrical and warmly post-Brahmsian, but its themes really sing (lovely moments for the solo soprano, Judith Howarth) and its textures glow. It was a clever idea to contrast that with Martinu's spartan *Field Mass*, which has just men's voices, brass and wind, piano and harmonium – echoes of Rossini's *Petite Messe Solennelle*.

The BBC Symphony Chorus is unsurpassed among the London choirs at the moment and the men, joined by Ivan Kusnjer as the baritone soloist, kept their wits sharp in the jagged Czech word-setting of the Martinu. Bělohlávek already gets the BBC Symphony Orchestra to give him its best playing, although it did sound as if there had not been much rehearsal time left for Janáček's *Sinfonietta*.

Each Prom also featured a concerto. For Pešek, Artur Pizarro played Liszt's First Piano Concerto, throwing himself into the opening peroration with a fistful of wrong notes, but going on to give a large-scale performance with the kind of brilliance the Proms need. For Bělohlávek, Richard Goode aspired to a higher level of intellect in Mozart's Piano Concerto in B flat, K595. Without any unwanted romanticism he and Bělohlávek gave the concerto splendid warmth and feeling.

Richard Fairman

A satire bursting with vitality

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Other writers and directors may have more work on show in Edinburgh, but John McGrath is positioned proudly at both extremes of the festival spectrum. On the Fringe, *The Last Of The MacEachans* (Theatre Workshop until August 24) is the latest, and among the best, of the small-scale solo pieces McGrath has created with his partner Elizabeth MacLennan: a middle-aged Highland woman comments sadly upon the external forces debilitating her homeland – Home Counties incomers, families sundered by emigration, even the rewriting of national history in the video of *Braveheart* she is watching.

In the International Festival, McGrath has created a raucous, sprawling behemoth of an "update" to Scotland's greatest play, Sir David Lyndsay's *Ane Satyre Of The Thrie Estaitis*. Four centuries on, McGrath is most concerned with the new fourth estate, the "Meeja". His arch-villain is the Australian multi-national, multi-media baron Lord Merde (with every mention his name followed by an ejaculatory "Och!"). He and his minions are intent on grabbing their own slice of a new Scotland and compromising the fine intentions of King Humanity as he returns to a land now free.

As Lyndsay wrote of a country on a hopeful threshold (just as James V ascended the throne), McGrath anticipates an at least autonomous Scotland thanks to the promises of "Saviour Blair". His idealism is unashamed – roles for the human virtues and a real place for the currently dispossessed underclass – nor does he baulk at espousing socialist values without an emasculatory "New" attached thereto.

His bile at media consumerism is unrestrained and informed by lengthy personal experience, and often his ire runs away with him: the London mediocracy may well find such sustained invective against an easy target grows tedious. But satire's teeth feel sharper in a more compact society where targets are more immediate – and Scotland's own media princeling, Gus MacDonald, is the subject of several sideswipes.

Moreover, although McGrath's verse sometimes veers into doggerel, it carries a fearsome energy. The plot itself – in which Merde's minions try but fail to divert Humanity from his avowed path – takes up only the second half of the evening, after a long and chaotic prologue in which the estates are introduced and the audience warmed up by Sylvester McCoy's cheerfully bonkers Grandfather Jock. Close-range references fly around with gay abandon (even Robert Lepage's cancellation merits a couplet), songs are inserted in keeping with the preferred strategy of David MacLennan's Wildcat company, and the plot is resolved not by any named character but by the intervention of a chorus-line *ex machina* of Highland-Riverdancing girls.

The show is deliberately sited in Edinburgh's new conference centre, a shrine to the demonic forces against which McGrath rails. High culture it is not, nor possessed of any of the supposed qualities of a well-made play. It dares to be hopeful, politically passionate and bursting with a vitality which above all is gloriously human. Its like may not be seen again for some time: The Scottish Arts Council's recent decision to convert its theatrical funding from a revenue to a franchise basis will effectively preclude the likes of Wildcat from embarking on such a project again.

Ian Shuttleworth

Orfeo with dancers

Christoph Willibald Gluck is enjoying a good innings in Scotland. After Scottish Opera's *Alceste* in the spring, there is now the choreographer Mark Morris's staging of *Orfeo ed Euridice* at the Festival Theatre (last performance tonight), to be followed on Thursday by *Iphigenia en Tauride* in Pina Bausch's Wuppertal Dance Theatre production.

There is every reason to treat Gluck to choreographic stagings, for formal dances are a vital element in his operas. Most particularly in *Orfeo*, an "azione teatrale" which Gluck and his librettist Calzabigi planned for Vienna like a Wagnerian *Gesamtkunstwerk*: all the arts relevant to the theatre were to be fully exploited. Even in the original 1762 score (which is used here, unusually), less elaborate than Gluck's later revision for Paris as *Orphée et Eurydice*, there is almost as much dance-music as singing.

There was lavish *décor* too, but Morris has chosen to dispense with that; instead Adrianne Lobel has designed elegantly simple sweeps of gauzy white curtains. (They come into dramatic play when Orpheus and Eurydice, escaping from Hades, find themselves repeatedly separated on opposite sides of the veil.) The plainness must be part of Morris's plan to recapture the "naive", pristine *Affekt* that was at the heart of Gluck's operatic "revolution".

Much of the time, he succeeds. Dancing the shepherds, Furies and Blessed Spirits, his troupe treads his colloquial measures with lively but unshowy grace, and sustain the strenuous Furies' tension through the sections where Gluck lets it drop. They and the three principals enact all the action; the noble choruses are sung from either side of the stage by the Handel & Haydn Society chorus, static in evening dress. One accepts the convention easily, and even with some relief. As Morris has remarked, what dancers do best is dance, and singers sing: why over-stretch them?

He handles his principal singers, who must of course move and gesture, less confidently. Michael Chance's Orpheus, stylishly sung without quite the intense gravity the role ideally requires, looks suitably *distrait* but has too many ordinary little gestures to pass for a man in a dire plight. Dana Hanchard's Eurydice moves more "choreographically" and achieves more, though the voice is not really large enough for the Festival Theatre. As Amor, Christine Brandes is made a jokey cartoon-figure, and her broad comic effects deflate the final stages of the opera.

Christopher Hogwood conducts a sound, unremarkable performance with the Handel & Haydn Society Orchestra with few phrases conveying any sharp feeling: one remembered Jochen Kowalski's agonised Orfeo at Covent Garden a few years back, and wished that some of that wrenching commitment had been in evidence here.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
De Nieuwe Kerk Tel: 31-20-6268168
● Palech, een Russisch sprookje: more than 100 lacquer miniatures, created in the 19th and 20th century. The works on display come from the Museum for Decorative Arts in Moscow, the Museum of Palech and the Ritman collection; to Sep 22

■ BASEL

EXHIBITION
Museum für Gegenwartskunst Tel: 41-61-2728183
● fremdKörper – corps étranger – Foreign Body: exhibition featuring video installations by Matthew Barney, Mona Hatoum, Gary Hill, Bruce Nauman, Marcel Odenbach and Bill Viola, created in between 1969 and 1996; to Sep 29

■ BAYREUTH

OPERA
Bayreuther Festspiele Tel: 49-921-20221
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Daniel Barenboim. Soloists include Birgitta Svenden, Renee Fleming and Peter Seiffert. Part of the Richard Wagner Festspiele; 4pm; Aug 24

■ BERLIN

THEATRE
Schaubühne am Lehninerplatz Tel: 49-30-890020
● Stadt der Krieger: by Staffel. Directed by Katka Schroth and Christopher Roos, performed by the Schaubühne Am Lehniner Platz. The cast includes Caroline Peters, Nadja M. Schulz, Anja Thiemann and Bernadette Vonlanthen; 8pm; Aug 23, 24

■ BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● City of Birmingham Orchestra: with conductor Michael Christie and violinist Lisa Kim perform works by Verdi, Brahms, Barber, Glazunov and Copland; 7.30pm; Aug 21

■ BREGENZ

THEATRE
Bregenzer Festspiele – Festspiel und Kongresshaus Tel: 43-5574-4920
● Ghosts: by Ibsen (in German). Directed by Thomas Langhoff and performed by the Deutsches Theater Berlin. Part of the Bregenzer Festspiele; 8pm; Aug 20, 21

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Andréa Chenièr: by Giordano. Concert performance conducted by Marcello Viotti and performed by the Tivolis Symfoniorkester and the Tivolis Koncertkor. Soloists include baritone Renato Bruson, soprano Elena Filipova and tenor Kurt Westi; 7.30pm; Aug 21

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Scott Brady and Owen Lorigan: the cellist and pianist perform works by Shostakovich, Piazzolla and Rachmaninov; 8pm; Aug 22

■ GSTAAD

CONCERT
Menuhinfestival Alpengala Gstaad Tel: 41-30-47173
● Royal Philharmonic Orchestra: with conductor Michel Swierczewiski and pianist Jeremy Menuhin perform works by Wagner, Tchaikovsky and Mozart. Part of the Menuhin Festival; 7.30pm; Aug 23

■ HAMBURG

OPERA
Musikhalle Hamburg Tel: 49-40-346920
● Carmen: by Bizet. Performed by the Hamburger Symphoniker with conductor Ralf Weikert. Soloists include Agnes Baltsa, Neil Shicoff, F. Mc Carthy and C. Davidson. Part of the Hamburger Opernwoche; 8pm; Aug 22

■ LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● BBC Symphony Orchestra: with conductor Claus Peter Flor, pianist Andreas Haefliger, soprano Yvonne Kenny, mezzo-soprano Catherine Wyn-Rogers, tenor Thomas Randle, baritone Peter Sidhom and the Philharmonia Chorus perform works by Beethoven, Bruckner and Wagner. Part of the BBC Henry Wood Promenade Concerts (Proms); 7pm; Aug 22

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Aug 23, 24 (also 2pm)

■ LOS ANGELES-MALIBU

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● Roger Fenton: The Oriental Suite: the first exhibition devoted to the little-known "Orientalist" series by the British photographer Roger Fenton (1819-1869). These 45 images by Fenton and some of his contemporaries in photography and watercolour reveal a fascination with the Islamic world of the Near East, which was seen and portrayed as mysterious, languorous and sensual. The series was executed in Fenton's London studio, where friends and a professional model posed in costume to create tableaux of Turkish life; to Oct 6

■ MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Imi Knoebel – Retrospective 1968 – 1996: first major retrospective of works by the German artist Imi Knoebel (b. 1940); from Aug 23 to Oct 20

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Mostly Mozart Festival Orchestra: with conductor Gerard Schwarz, pianist Stephen Hough and violinist Joshua Bell perform works by Haydn and Mozart. Part of the Mostly Mozart Festival; 8pm; Aug 21

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire irlandais" that takes place in Paris from May until September; to Nov 18

■ TEL AVIV

EXHIBITION
Tel Aviv Museum of Art Tel: 972-3-6957361
● Fauvism "Wild Beasts": between 1904 and 1907 a group of artists including Matisse, Derain, De Vlaminck and Braque applied non-naturalistic and often disconcerting colours to otherwise conventional subjects. A contemporary critic described the art as that produced by wild beasts, or "Fauves". This exhibition surveys this art movement through a selection of works from private and public collections in Europe, the United States and Israel. Most of the paintings in the show are landscapes – the Fauves' preferred theme - but still life paintings, portraits and nudes are presented as well; to Aug 31

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Gary Bertini and pianist Nelson Freire perform works by Rachmaninov and Berlioz; 7.30pm; Aug 23

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

The poverty of nations

The quality of governance rather than inadequate resources or a hostile economic environment explains the failures of countries over the long term

In 1994, according to the World Bank's latest World Development Report, the real income per head of the average Indian was one-twentieth of that of the average citizen of the US. Similarly, the Human Development Report from the United Nations Development Programme notes that the poorest 20 per cent of the world's population saw their share of global income decline from 2.3 per cent to 1.4 per cent in the past 30 years, while the share of the richest 20 per cent rose from 70 per cent to 85 per cent.

Such yawning gaps in real incomes across countries are important. The Human Development Report makes much of the divergences between the rankings for its human development index – computed from lifespan, access to education and the standard of living – and those for average real incomes. But by and large, rich countries offer a far better standard of living to their least well off people than do poor ones.

This is hardly surprising. As an important new book from professors Deepak Lal, of the University of California at Los Angeles, and H. Myint, formerly of the London School of Economics, notes, "there is a clear and positive correlation between income growth per head and poverty redressal".*

The puzzling question is why so many countries have failed to exploit the opportunities for higher incomes that are available to them. Between 1960 and 1993 average real incomes increased by more than 400 per cent in east Asia. In sub-Saharan Africa they rose hardly at all. Most poor countries are failing to catch up. Yet, as Professor Mancur Olson of the University of Maryland has noted in a brilliant lecture, this is not pre-ordained. The fastest-growing countries are never those with the highest incomes per head but a few of the lower-income countries.**

"Much the most important explanation of the differences in income across countries," he argues, "is the difference in their economic policies and institutions." This rejects the underlying assumption of neoclassical economics, as revealed in the "familiar old joke about the assistant professor who, when walking with a full professor, reaches down for the $100 bill he sees on the sidewalk. But he is held back by his senior colleague who points out that if the $100 bill were real, it would have been picked up already."

The neoclassical professor Pangloss, following Voltaire, thinks this is already the most efficient of all possible worlds. If so, differences in the availability of knowledge, human skills and physical capital should explain differences in incomes among countries. But they do not do so.

Japan was able to acquire and, in many areas, improve upon the techniques of the advanced countries with only modest difficulty. Korea's royalty payments for intellectual property were minuscule – a mere one-thousandth of gross domestic product between 1973 and 1979, according to one study. Even if all profits on inward foreign direct investment are considered payments for knowledge, the total cost was 1.5 per cent of the rise in Korea's GDP over that period.

If supply of knowledge is not the constraint, what of natural resources? The countries with the highest incomes per head are, for the most part, poorly endowed, both absolutely and, still more, in relation to their populations. Saudi Arabia has a lower real income per head than Korea even though the income per head of Saudi Arabia is exaggerated by failure to account for depletion of its oil reserves. Shortage of land is no explanation for a country's poverty either. Argentina has 11 people per square kilometre; Germany 246 and Hong Kong more than 5,000.

Is the quality of personal skills or human capital, as economists call it, the explanation for the huge difference in incomes across countries? The answer again is no. New migrants in the US earn more than half as much as comparable US workers, even if the countries they come from have incomes per head that are only a tenth of US levels. Self-employed immigrants from Haiti earn two-thirds as much as those from west Germany in the US. If both were in their home countries, however, the discrepancy could be 100 to one at market exchange rates and 20 to one in common international prices.

To the extent that differences in culture are expressed in individual capacities, these cannot explain the huge variations in incomes across countries either. Haitians do not become different people by crossing the sea. Culture does not explain why the real income of an average Hong Kong Chinese is 10 times that of a mainlander.

The answer to these points might be that countries are poor because they have very few skilled people or a severe shortage of physical capital. Neither is convincing. If that were all there was to it, the reward to skills and to capital would be vastly higher in poor countries than rich ones. It is not. India has severe problems of graduate unemployment and technically skilled Indians earn far more in the US than at home. Similarly, the return to capital in poor countries is not a vast multiple of its earnings in rich ones, as it would be if they were working with the same productive techniques.

Evidently, poor countries do not work with anything like the same productive efficiency. This is not because it is impossible for them to do so, but because there are not the incentives for them to do so. When a country puts in place the needed institutions and incentives, they start to catch up very swiftly.

Yet this is depressingly rare. As the Human Development Report notes, since 1980 the average incomes per head in Latin America, sub-Saharan Africa and the Arab world have actually declined.

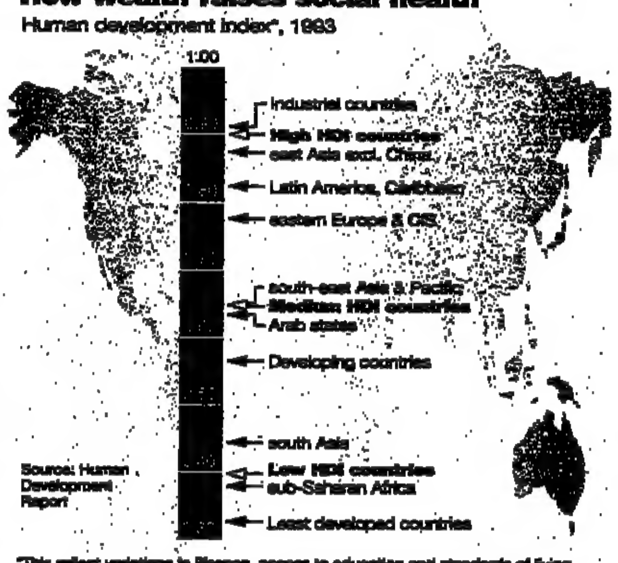
To find out why this is so it is necessary to jettison the assumptions of competitive markets and supply of public goods by a benevolent government or voluntary private bargains. Contrary to the talk about the irresistible forces of "globalisation", borders make a vast difference. If on one side lies a country with an efficient administration, a government that provides services and does not steal, a legal system that enforces contracts, its people will become rich. If on the other lies a country without these advantages, its people will remain poor. This, in a nutshell, is the contrast between the US and Mexico.

As Prof Olson notes, "the bargains needed to create efficient societies are not, in fact, made". The question is why not. The answer lies in political economy. Sustained economic success depends on establishment of a *competitive* market economy. But this is something that only social *co-operation* can achieve. The wealth and poverty of nations is determined not by impersonal economic forces, but by political failures. So why do policies and polities fail so dreadfully? This will be answered in a subsequent column.

**Deepak Lal and H. Myint, The Political Economy of Poverty, Equity and Growth: a Comparative Study (Clarendon Press: Oxford, 1996).*
***Mancur Olson, Jr. "Big Bills Left on the Sidewalk: Why Some Nations are Rich and Others Poor", Journal of Economic Perspectives, spring 1996.*

How wealth raises social health

Human development index*, 1993



*This reflect variations in lifespan, access to education and standards of living

Personal View · Stephen Bush, Mike Robinson

Formula to provide a supply of scientists

The decline of A-level maths standards is damaging UK industry

The view is now commonplace in UK universities and among many business people that there has been a steep decline in the educational standards of 18-year-olds preparing to enter university, particularly since the advent of GCSE. The schools, the examining boards and increasingly the government contest this view. They say that rising pass rates, as witnessed by this year's A-level results, indicate improving standards and that it is mean and unfair to complain.

We know from direct professional experience that there has been a dramatic decline in mathematics standards at A-level. We have concentrated on mathematics because of its central role in the sciences and engineering. Without adequate mathematics, these subjects, on which modern industry depends, simply cannot be studied and applied. For this reason the mathematics crisis is an issue of concern to everyone, not merely to those in education.

We not only have evidence from our own country, but also from Hong Kong and Singapore. Both countries derive their school education systems directly from the traditional English O- and A-level examinations. Moreover, because considerable numbers of students from these countries are admitted to our engineering courses at the University of Manchester Institute of Science and Technology, we are able to compare the value of their A-level grades with those of British students.

First, a summary of the domestic evidence. Virtually every engineering and science department in the traditional universities, which are responsible for three-quarters of all UK science and engineering graduates, have established or are establishing four-year instead of three-year courses to cope with the reduction in entry standards at the age of 18 and over. The recent discovery of a 1981 London O-level question appearing in a specimen 1996 A-level paper is a grim portent.

As members of one of the largest engineering departments in the country we can measure the effects of "grade inflation". Since the mid-1980s the average science A-level scores of the British students admitted to our courses have risen. But the first-year fail rate has more than doubled over the same 10-year period in spite of extensive remedial action; and although there has been some expansion of our intake the absolute number of British students gaining first-class honours on our courses has fallen. The number of students from overseas, principally the Pacific rim countries, gaining first-class honours has risen disproportionately.

Singapore students take O- and A-level papers set by the University of Cambridge Local Examinations Syndicate in the style and at the standard applying in England up to the mid-1980s. Anyone doubting the poor quality of GCSE maths papers (or indeed any other subject) should compare them with the O-level papers sat in Singapore.

The Hong Kong Certificate of Education (O- and A-levels) is administered by the Hong Kong Examination Authority. By analysing the exam papers we conclude that both levels are at least equal to the O- and A-level standards in England 15 or more years ago. In particular the Hong Kong A-level "pure maths" papers correspond at least to our present-day "further maths" papers, for which last year there were only 5,000 candidates in the whole of Britain (ie about 0.7 per cent of the age group). In Hong Kong, by contrast, some 7,000 – about 9 per cent of the Hong Kong age group – took A-level pure maths.

The starting point for a solution is to accept that the mathematics required for professional engineering and science is something only a small minority of our population, or any population, wishes to do, can do or should do. But the quality of this small minority is absolutely critical to any country's industrial success. The evidence is not just of a marginal but of a huge decline in top-end standards. All the bluster and self-deception of the examining boards and teachers' organisations will not alter the fact that in science and engineering we have to meet standards set not by the boards but by our international competitors.

We propose that a self-selecting cohort of UK pupils aged 14 and over should be able to pursue a higher level maths course than the present GCSE A-level one. The new course, suitably christened and administered by *one* authority only, would essentially follow the O- and A-level syllabuses set for Singapore.

As an incentive for pupils to take the more demanding maths course, and for schools to teach it, we propose that successful students should be able to go into the second year of the new four-year courses in science or engineering and that the grades would count double for school league tables.

Perhaps between 3 per cent and 4 per cent of the age group would take the course, but this would more than provide the nation with all its engineers and scientists. It would also pull up maths standards for the rest of the population.

The authors are respectively professor and lecturer in engineering at Umist

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

Chirac is right to deal out the facts in the Franco-German monetary poker game

From Mr Bernard Connolly.

Sir, Your editorial ("Monetary quadrille", August 17) on the latest plays in the Franco-German monetary poker game and criticising Mr Jacques Chirac rightly accepts that French monetary policy is too tight because of a combination of the Banque de France's independence of the government and its dependence on the Bundesbank.

The logical conclusion of your analysis would be that French monetary policy should act independently of the Bundesbank, thereby advancing the real interests of the French economy (and, indirectly, the interests of every European economy, including Germany's) rather than the perceived interests of the Bundesbank. Presumably you do not follow your own logic because you feel monetary policy should be devoted only to political goals (European union) and should ignore economic rationality.

Mr Chirac is right to draw attention to the facts. French law (changed since 1993) prevents him from acting. Goals similar to your own apparently prevent the Banque de France from acting. The weight of its own past and its unwillingness to follow the example of the successful "Anglo-Saxon" Fed, prevents the Bundesbank from acting to forestall worrying economic trends in Germany. Something has to change in this situation.

If the pressure Mr Chirac is seeking to apply to the Banque de France and the Bundesbank succeeds in forcing French and German interest rates sharply lower (Professor Otmar Issing is right that 10 basis points are neither here nor there), everyone except the bureaucrats will have won.

If it fails in the circumstances you suggest, then the prospects for Emu, that brewing financial disaster and anti-democratic cementing of the power of unaccountable bureaucrats to savage everyone's economies, will have suffered. Given that calculus, no patriotic and rational French president could have spoken differently from Mr Chirac. You should be supporting him.

Bernard Connolly,
Vinkenlaan 32,
3078 Everberg,
Belgium

Benign quality of corporate tax system

From Mr Steve Ahearne.

Sir, Andrew Smithers's article ("All the wrong incentives", Personal View, August 16) about corporation tax argues specifically against the deductability of interest and, by implication, against the offset of ACT.

In both cases this is to argue for double taxation of corporate operating profits – once in the hands of the corporation and again in the hands of those whose capital the profits are servicing.

In fact, the UK's corporation tax system is economically benign, in that its influence on the distribution of profits is relatively neutral and they therefore tend to go to where their use is most beneficial.

It would be a pity if this were to change for the worse.

Steve Ahearne,
managing director and chief financial officer,
BP,
Britannic House,
1 Finsbury Circus,
London EC2M 7BA, UK

Designer policy rules

From Mr Michael Dicks.

Sir, Samuel Brittan makes several important points about how policy rules might be designed to help guide policymakers in the UK ("Bank argues with itself", August 15).

First, he points out that the Taylor rule is flawed because it "involves guesses about controversial and unobservable magnitudes" such as the size of the output gap.

Second, he points out that the McCallum rule would not be practical, because it involves using a "hazardous instrument to rely on in a country like the UK where there are no compulsory reserve ratios and in which the monetary base is a tiny fraction of broad money".

He suggests that a "heavily modified version of the McCallum rule would give a better steer than the inflation projections two years ahead by which the Bank claims to be guided".

We have carried out research which goes in search of a rule which might work better than either the Taylor or McCallum rule in helping to improve Britain's inflation performance.

In *Rules as Tools: An Investigation into the Usefulness of Policy Rules*, which uses simulations on a small model of the economy, we found:

- The Taylor rule would not have worked as well as other rules – such as a nominal GDP rule – in helping to generate low and stable inflation in the past, as well as suffering from the problems Samuel Brittan identifies.
- A nominal GDP rule would have been slightly less effective in terms of fighting inflation than one which also includes a role for narrow money – as an indicator of future inflation pressures.

This "money-augmented" nominal GDP rule is very much in the spirit of the McCallum rule, but has none of the disadvantages.

The new rule suggests that interest rates should be significantly above their present level of 5.75 per cent. So, whatever the flaws of the approach now used by the Bank of England to assess monetary conditions, at least it would seem that it is right to argue that interest rates need to be raised, and sooner rather than later.

Michael Dicks,
UK economist,
Lehman Brothers,
One Broadgate,
London EC2M 7HA, UK

Americans dominate cyberspace

From Mr John Dunn.

Sir, The article on African-Americans online ("Black America starts to log on", August 12) failed to mention an even more interesting Internet statistic, namely the disproportionate number of Americans (of all races) who use this supposedly global medium. By this measure, African-Americans are doing considerably better than many groups around the globe.

The evidence is easy to find. Simply access a selection of Web sites and then visit any one of the many newsgroups.

Clearly, despite the increasing participation of other nationalities, Americans still dominate the Internet. Why? Because, the US is privileged to have cheap communications and easy access to computer technology, allied with an unshakeable belief that the Internet was created to be an American rather than a global form of communication.

John Dunn,
38 Somerfield Road
London N4 2JL, UK

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday August 20 1996

US economy not for tuning

Just one month ago most observers were convinced that today would be the last day of summer for US interest rates. The belief was that, with the economy showing strong signs of life, the Federal Reserve's policy-making committee would opt to raise interest rates when it met this afternoon to insure against larger, politically difficult increases later in the year.

Today the conventionally wise in the financial markets believe precisely the opposite: that chairman Alan Greenspan will resist tightening policy even though it will be tricky to do so closer to the November general elections. The mere fact that nearly everyone thinks a central bank will not act is usually a good reason to bet on a policy change. But even a fine-tuner such as Mr Greenspan ought to have a solid case before signalling the end of an interest rate cycle. On balance, the past few months' economic data have not provided one.

The main reasons for the earlier prediction of a tightening were the new-found strength of the economy, and continued strength of equity prices. Past experience suggested that rising consumer optimism and a 5.4 per cent unemployment rate would inevitably put upward pressure on wages and prices. In theory, a modest rise in interest rates could pre-empt this at the same time as preparing the way for an orderly correction in the stock market.

Last month's stock market blip may have weakened the case for a risky attempt by the Federal Reserve to fine tune the mood on Wall Street. At the same time, recent economic data has confirmed the rebound of the economy while providing scant evidence that prices will rebound with it.

One-off jump

True, real GDP grew at an annual rate of 4.2 per cent in the second quarter. This is well above the 2-2¼ per cent rate the Federal Reserve deems sustainable over the long term. If the economy does not slow down enough during the third quarter, Mr Greenspan may well want to prod it in that direction with higher interest rates.

Yet there is evidence to suggest that growth is already slowing of its own accord. A large part of the headline annual rise in second quarter GDP was due to a one-off jump in public consumption. Private sector final demand grew more slowly in the three months to June, at an annual rate of 2.6 per cent, compared with 3.4 per cent in the first quarter.

Election coming

Admittedly, the picture at a sectoral level is still murky. But, even if the economy turns out to be stronger than expected during the second half of the year, it is not yet obvious that this would have a calamitous effect on prices. Consumer prices have shown little sign of accelerating. The employment cost index, closely monitored by the Federal Reserve, rose by an annualised 2.8 per cent in the second quarter, a little slower than in the previous quarter.

Mr Greenspan will not be able to hold off tightening indefinitely. But, with an election coming and a fragile stock market, he should weigh the risks to the Federal Reserve's credibility of being seen to be proved wrong against the benefits of getting it right. If inflation is hovering in the wings, raising interest rates by one quarter, or half, a percentage point today will not do very much to prevent it. Such a move would, however, guarantee that Mr Greenspan would get the blame for any future bad news from the real economy or financial markets.

These considerations would not be decisive if there were a strong case for interfering with the economy's current course. But the truth is that the US economy is in better shape than it has been in decades. Mr Greenspan deserves some of the credit for a happy confluence of growth in employment and output and modest inflation. But after years of fine-tuning, he should probably stop tuning for a while and enjoy the melody.

A future for the monarchy

For the UK royal family the 1990s have so far proved a dismal decade. The breakdown of the marriages of the monarch's two eldest sons, played out in vivid detail by an unforgiving, and often hostile, press has been corrosive of the popular esteem on which the monarchy depends. Public confessions of adulterous relationships have turned private lives into public property. The Queen is now obliged to seek the protection of the law to shield her family from prying camera lenses.

No one doubts that she is still held in immense personal affection by her subjects. The same opinion polls which show that the institution has been tarnished point to undiminished respect for the monarch herself. Prince Charles, as heir to the throne, has been more subject to criticism but there has not been any measurable upsurge in republicanism. A large majority would still prefer a fallible king or queen to an elected president.

The passing of the age of deference, however, has inevitably raised broader questions about the proper shape and role of the British monarchy. There is recognition also that its historic grandeur often seems at odds with the nation's diminished role on the international stage. The news therefore that the Queen and her advisers are engaged in a strategic review to equip the monarchy for the 21st century is welcome. So too are the directions in which the review seems to be heading.

Public interest

By limiting the privileges of royalty to the monarch's immediate family, the Queen would buttress an earlier decision to restrict access to the Civil List, the taxpayers' contribution to the institution. A tighter net would also allow the personal indiscretions of "minor royals" to be dismissed as of no public interest. The system works in the Netherlands, shielding Queen Beatrix from the colourful personal lives of relatives.

Scrapping the Civil List entirely would be more problematic. If the nation wants a monarchy it should be prepared to pay for it. And if ending Civil List payments meant returning to the Queen and her successors some of the much larger income from the Crown Estates which now flows to the exchequer, the exercise would be cosmetic.

Need of reform

There is an unanswerable case, however, for an end to the medieval practice which confers precedence on male over female heirs to the throne. The nation no longer needs a king to lead it on the battlefield. Few of her subjects would understand if in preparing the monarchy for the next century, the Queen defended a principle which so needlessly discriminates against women. There would be implications obviously for the House of Lords, but that institution anyway is in need of reform.

The 1701 Act of Settlement which bars the heir to the throne from marrying a Roman Catholic is a similar hangover from history. It derives from an age when protestantism and Englishness were deemed indivisible. Three hundred years on, it is offensive to Catholics and irrelevant in a plural, and increasingly secular society.

Since the Catholic hierarchy has relaxed its rules, there would be no theoretical bar on the child of such a mixed marriage becoming, as monarch, the head of the Church of England. In practice, revocation of the Act would provoke a public debate about eventual disestablishment of the Church. There are arguments on both sides, but there should be nothing for the monarchy to fear from such a debate.

There is no suggestion that all or any of these reforms are imminent. The cogs still turn slowly in Buckingham Palace. Significant reform would probably also need to await the outcome of the general election. The national mood too will be important. But the Queen has grasped the point taken some time ago by her fellow monarchs in Northern Europe. Traditional institutions survive and prosper when they adapt to a changing world.

Japan's limited revolution

Many believe the recession has had a profound effect on business and the economy but the facts suggest otherwise, says Gerard Baker

After more than four years of recession, the Japanese economy is at last emerging from its longest period of stagnation in the modern era. Manufacturers and service industries are returning fitfully to a gentle if unspectacular path of growth.

The recession has been the most traumatic experience the country has faced since it became one of the world's pre-eminent economies 30 years ago. This is not simply because of the damage done in terms of lost output and lost income – at least 6 per cent of gross domestic product so far, or about Y30,000bn (£178.6bn) – but more importantly because it has, for the first time, shaken confidence in the fundamentals of the Japanese economic system.

The special nature of Japanese capitalism had been credited by many with the unrivalled success of Japanese industry. Previous recessions were short, shallow affairs, with a rapid return to a healthy rate of growth. The severity of this latest downturn has, in the view of many western economists, brought the characteristic Japanese system – a modified capitalism with an emphasis on corporate harmony, interlocking business relationships, worker protection and government guidance – dangerously close to its sell-by date.

Even Japanese politicians and bureaucrats have argued the need for change. Reformers say that "developmental capitalism" is no longer suited to the needs of a mature, open economy, and may actually have exacerbated the recession and impeded recovery.

"The economy will simply have nowhere to go," said the country's Economic Planning Agency last year, "if the government persists with closed policies."

This mood of doubt about Japan has been accentuated by the spectacle of economic success across the Pacific and in continental Asia. In the 1990s the traditional images of the two economic superpowers have been reversed: while the watchwords of the Japanese economy for the past five years have been malaise and decline, the US has been undergoing (in relative terms, at least) a renaissance. The success of competitors in Asia, following rather different capitalist models from that of Japan, has added to the sense of self-doubt about the durability of the Japanese model.

Japanese business leaders agree. They argue that the shock to the system of the past four years has been so great that the system itself has already begun to crack. They point to crucial elements in the Japanese model that appear to be in decline.

"The last few years have forced companies to think the unthinkable about the way they do business," says a senior executive at one of the country's industrial giants.

But has the special Japanese version of capitalism really been changed forever by the events of the past few years? Is it beginning to submit to the redder in tooth and claw variant practised elsewhere? While there are many characteristics unique to the Japanese system, there are three basic elements cited by economists as central:

- The corporate structure. At the heart of the machine is the Japanese corporation. The big companies have traditionally been a part of giant industrial-financial groupings, their shares owned largely by other companies in the group. Their traditional method of raising finance has been direct from the financial institutions with whom they have intimate relationships. This has long been reflected in a huge banking system, into which is poured the savings of the nation, and relatively small free-floating capital markets. This feature is said to have given industry as a whole unity, stability and the advantages that come from long-term planning.
- The management system. With only a limited number of shareholders seeking to maximise short-term investment returns, companies have been more free than those elsewhere to focus on other goals. Companies, it is said, are run in the interests not just of shareholders, but of employees, customers and "society". Most important, labour has traditionally taken a much higher share of total returns than in other countries; the key element of that has been lifetime employment.
- The role of government. Although the figures suggest the Japanese public sector is among the smallest in the world, the reality has always been that through a panoply of formal and (more often) informal regulations, the private sector has operated hand-in-hand with government.

There is some evidence that in each of these areas things have indeed been changing.

The recession has not broken the ties binding Japan's companies together, but it might have loosened them a little. In the past few years a number of high-profile companies have very publicly cut their shareholdings in their sister businesses. Citing the pressures caused by the recession, big financial institutions, most notably life insurers but some banks too, have been gradually selling their shares.

Reflecting this, corporate finance has also changed. In the past five years companies have become much less dependent on their main banks for borrowing. They have resorted instead to the capital markets. In the mid-1980s companies relied on banks for more than 85 per cent of their external funding requirements. By 1991 that figure had fallen to about 75 per cent. And in spite of the subsequent stock market collapse, in the past few years it has dropped even further.

There is also clear evidence that companies within the various industrial groupings now rely much less on each other for their trading. Related companies are, in the words of a senior adviser to one of the biggest Japanese trading houses, "increasingly irrelevant".

Such changes, however, do not add up to a revolution. Companies are changing their habits, but both in terms of the ownership of companies and the way they are financed, Japan is still not even close to the US model. There, almost two-thirds of all equity is owned more or less directly by individuals. And more than half all total corporate external financing requirements are met through securities markets.

Set against those figures, Japan has merely been tinkering with its model in the past few years.

In Japanese corporations, much has been made of the changing nature of employment practices. The recession, it has been argued, has forced companies to abandon the lifetime employment guarantee. The reality is rather different.

It is true that companies have faced an unprecedented squeeze on their labour costs. The rapid appreciation of the yen between 1991 and 1995 has forced companies to shift many of their production facilities offshore – the so-called hollowing out of Japanese industry. The same currency appreciation put pressure on Japanese companies at home too, as lower import costs forced prices down.

But the evidence suggests that Japanese companies have reacted to this squeeze on their flexible costs in traditional ways. Though unemployment has risen to its highest-ever level – 3.5 per cent of the population – the increase has been concentrated mainly among new graduates, who have had more difficulty finding jobs. That is because companies have chosen to cut recruitment rather than cut staff. What is surprising is that in spite of the recession, big companies have largely stuck to the lifetime employment guarantee.

At all manufacturing companies, total employment increased by almost 7 per cent between 1991 and 1995, absorbing almost all of the new workers. Total labour costs are actually close to a record high.

Deregulation has been the mantra of Japanese politicians for years. Every year they unveil a new list of areas to be deregulated, but the changes have not been extensive. In many areas, the degree of government involvement has actually increased.

A Japan of US-style market economics, with independent companies pursuing returns for their shareholders, raising funds in capital markets, hiring and firing willy-nilly, and operating largely free of government interference therefore seems like a very distant prospect.

Yet that was precisely the model of Japanese capitalism that operated in the early part of the 20th century. Big companies were fiercely competitive, even waging hostile takeover battles in the interests of rapacious individual shareholders. The role of banks was marginal, and a flexible labour market ensured high levels of turnover and worker insecurity.

It took the combined and prolonged shock of rapid militarisation in the 1920s and 1930s – and the reconstruction after the war in the 1940s – to produce the modern Japanese system. The existing structure owes more to distinctly 20th century phenomena than to immutable Confucian economics.

In other words, change is not alien to the Japanese model. The Japanese economy has altered in fundamental ways at least once this century. To achieve that change required a severe shock. In the 1990s the evidence so far is that the recession, in spite of the difficulties it has caused, has not proved enough of a shock to achieve a transformation of the Japanese economic system.

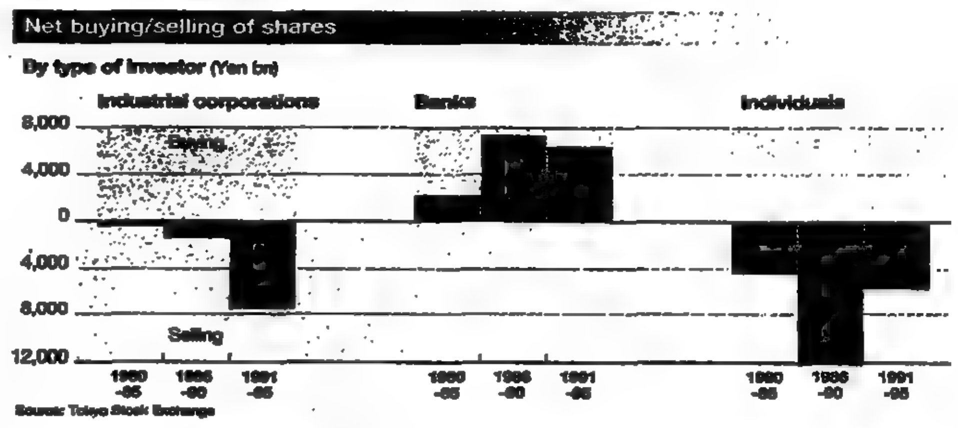
Japan: tradition and change

Share ownership

Per cent of total shares owned	1970	1980	1984	1988	1992	1995
Corporations	64.4	65.9	69.3	75.4	72.6	69.6
of which financial institutions	38.1	39.2	38.0	44.1	42.9	41.1
Individuals	31.4	27.9	23.0	19.9	20.7	19.5

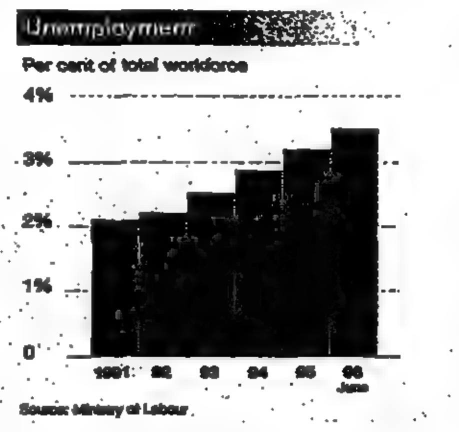
Source: Tokyo Stock Exchange

Net buying/selling of shares



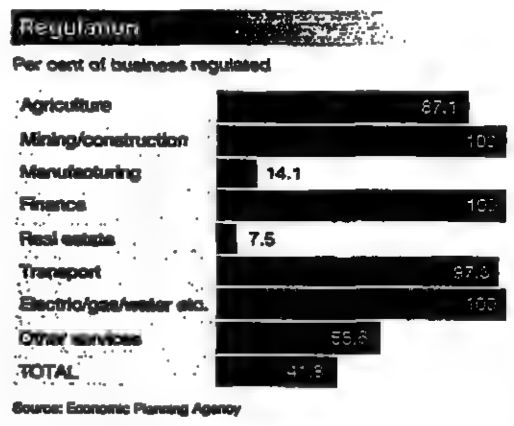
Source: Tokyo Stock Exchange

Unemployment



Source: Ministry of Labour

Regulation



Source: Economic Planning Agency

· OBSERVER ·

Uphill struggles

■ HSBC's attempts to make a name for itself in Switzerland have suffered an embarrassing setback. The pushy international banking group last month crowed about its success at beating the cream of the Swiss banking establishment in putting together Switzerland's biggest MBO – the SFr159m buyout of Schaffner Elektronic.

However, Observer hears that HSBC's Swiss banking affiliate, Zurich's Guyerzeller Bank, has just missed out on a project much closer to home.

HSBC's Swiss offshoot was set up in 1894 by Adolf Guyerzeller, a Swiss entrepreneur who had made his first fortune in cotton at the time of the US civil war. Guyerzeller had founded the bank to help him finance his most famous project – building the Jungfraubahn, Europe's highest and most expensive mountain railway.

The Guyerzeller Bank was a big issuer and trader of securities in the early days of the railway. So how come Bank J. Vontobel, a relative upstart compared with Guyerzeller's bank, has been picked to lead the Jungfraubahn's flotation on the Swiss stock exchange? Surely it couldn't have anything to do with the fact that the Guyerzeller Bank refused to invest any more money in the project, after Arnold Guyerzeller died in 1899?

Deng's ding-dong

■ Time was when a family connection to China's Deng Xiaoping guaranteed bright business prospects. Not any more, it seems.

Zhuhai Shining Metals group yesterday said that the ailing paramount leader's son-in-law was being replaced as chairman, apparently on the request of China Non-Ferrous Metals Import and Export Corporation, the catchily-named company that holds a controlling stake in the Zhuhai firm. Nor is this the only setback to Deng & Co. Earlier this year, Shougang Concord, the Hong Kong-based property group, parted company with the second son, Deng Zhifang.

Deng senior's waning influence, the collapse in the company's share price, and the failure to turn political parentage into backers for property projects are of course purely coincidental.

A family affair

■ Greece's political pundits are filling their columns with speculation about an early general election – possibly in October.

The governing Panhellenic Socialist Movement is comfortably ahead in the opinion polls and the Papandreou clan is still going strong, despite Andreas Papandreou, Pasok's founder, having been laid to rest two months ago. George Papandreou, his eldest son and current education minister, is a rising star. If Pasok returns to power, George is tipped as next foreign minister.

Then there is Nikos, the second son. The author of an already best-selling biography of his father, he's rumoured to be thinking of a political career.

That still leaves two more Papandreous: Sophia, currently organising her father's archives into what will become the Papandreou Foundation, and Andreas junior, who is still said to prefer economics to politics. Well, at the moment, anyway.

Better read

■ If there were prizes for adventurous marketing by England's public schools, then Millfield, an upmarket establishment, would win hands down. It's recently been touting itself in communist-run Vietnam.

In March the school placed ads in a Vietnamese newspaper, hoping to catch the attention of the country's growing expatriate community, as well as Vietnamese. No expats, but three sets of Vietnamese parents have signed up their offspring for next term, including the 18-year-old daughter of a high-ranking official in the communist party's very own elite – the powerful central committee.

Millfield is handing out scholarships but the parents of the 18-year-old will still have to fork out $10,000 a year in fees. That's no mean sum: average annual per capita income in Vietnam is a mere $250. A term at Millfield costs a whopping £6,000. Good to see Vietnamese capitalism taking off, especially at the top.

Whale of a time

■ Finnish TV has just broadcast a novel method of police scooping up big fish. In the city of Oulu a patrol car now sports a harpoon gun attached to its front bumper. When spotting speeding villains said car gives chase and – whoosh! – out pops a tubular steel harpoon, whamming into the boot ahead. Hydraulic barbs then open, keeping the harpoon in place, and the police car brakes, forcing the spiked car to stop.

The captured criminals then of course start blubbering.

The Financial Times

100 years ago

Locust Plague
If a fortune awaits a man who can invent a means of exterminating the rabbit pest in Australia, an equal reward would probably fall to the lot of him who could abolish the locust plague in Argentina. Reports from Entre Rios state that the locusts were a terrible scourge to agriculture last season, and it is fully expected that they will return this year. The country folk affirm that these voracious insects always maintain a succession of visits for seven years, and as this is the seventh year, it is not supposed that they will depart from custom by stopping away. After that, it is to be presumed there will be a welcome locust-less interval, and the sugar plantations may flourish for a while in peace.

50 years ago

Burma To Have Own Currency
Rangoon: Burma will have its own currency managed and controlled by a currency Board consisting of five members, two of whom will be Burmans, from next April.

The exchange value of the Burma rupee in terms of sterling will be the same as the present Indian rupee (1s 6d). Burma's currency is at present managed by the Reserve Bank of India as agents for the Governor.– Reuter.

FINANCIAL TIMES
Tuesday August 20 1996

Fall in Japanese land value unsettles lenders

Average property prices now down 47% since 1992 boom

By Emiko Terazono in Tokyo

Japanese property prices fell sharply again last year, intensifying the problems of the nation's stretched financial institutions and making more difficult the government's debt reduction programme.

Since the end of the country's property boom in 1992, average prices have tumbled 47 per cent, according to the National Tax Administration Agency.

"If the current falling trend continues, it will increase bad loans and could shake the basis of Japan's financial system," warned Mr Shinichiro Takagi, acting head of the Real Estate Companies Association of Japan.

Property lending has long formed a substantial proportion of the total lending of most Japanese financial institutions. Among the leading commercial, trust and long term credit banks, it accounts for a quarter to a third of total lending.

The average price of a square metre of land at the beginning of this year was Y192,000 ($1,780), down 13.5 per cent from a year earlier.

By region, Tokyo led the list with the average property value falling by 16.7 per cent, while Osaka followed with a 16 per cent drop.

Many of the loans extended by banks and financial institutions – including the *jusen*, or housing loan companies – were done against property collateral valued at peak prices.

Property analysts estimate that the Housing Loan Administration, the body which is responsible for collecting some Y13,000bn in bad loans formerly held by the *jusen*, could face up to Y300bn to Y500bn in appraisal losses on property held as collateral as a result of the weakness in property prices.

Mr Kohei Nakabo, president of the Housing Loan Administration, said he would be lucky to collect half the existing loans. Mr Tadashi Ogawa, vice-minister of finance, yesterday refuted claims that the decline in land prices would have a direct impact on the government's *jusen* loan liquidation scheme.

He said there was no need to reassess the collateral values since they were set at levels 20 per cent below market value.

However, the declines of the average index have not been as sharp as that of actual property values, and property specialists expect a further fall in the average property value.

"Some property deals are being done at levels as low as 90 per cent below those at the peak, and the average index has not caught up with the actual prices yet," said Ms Keiko Otsuki, property analyst at brokers UBS Securities in Tokyo.

A limited revolution, Page 11

Germans held after probe into Libyan nerve gas plant

By Michael Lindemann in Mönchengladbach

The German government yesterday faced embarrassment as it emerged that two German businessmen had been arrested on charges of assisting Libya's chemical warfare programme – seven years after Germans helped Colonel Gedaffi build an entire poison gas plant.

Customs and police said yesterday that a group of businessmen had bought control equipment for chemical plant from Siemens, the German electronics and engineering group, adapted it to make nerve gas and then exported it to Libya.

An international arrest warrant has been issued for a Lebanese-born German who is a known buyer of equipment for the Libyan government.

Police said they suspected that the three had adapted the equipment to make nerve gases similar to the type which was released by terrorists on the Tokyo subway last year, killing 12 people and making more than 5,500 ill.

Details of the shipments, which took place between 1990 and 1993 and are valued at DM3.2m ($2.16m), will be a blow to the government, which had promised to tighten controls after German companies and executives were charged in the early 1990s with shipping an entire poison gas plant to Rabta in Libya.

Mr Jürgen Imhausen, owner of the company at the centre of the Rabta shipment, was sentenced to five years in prison.

Prosecutors said yesterday that they did not yet know if there were links between the present investigations, which began last November, and earlier shipments of German equipment to Libya.

A joint operation by German and Belgian police led to the arrest on August 9 of two German businessmen who owned a number of companies in and around the Rhineland town of Mönchengladbach. Mr Berge Balanian, a 63-year-old who police say owned a number of shell companies in Belgium and co-ordinated the shipment via the Belgian port of Antwerp, is still being sought.

Mr Peter Holz, a police spokesman, said the equipment made by Siemens and used in the management of chemical processes was an updated version of that shipped to Libya in the late 1980s.

The Siemens equipment itself does not require special export licences, according to Mr Jürgen Vitz, a senior prosecutor, but had been adapted by the businessmen, identified only as Udo B. and Detlef C. so that it could be used to mix poison gases.

The two men are being investigated under legislation which forbids the export of material which could be used to manufacture poison gases.

Chechnya peace accord under threat

Continued from Page 1

postions there and will not be easily removed.

Even Russian military officials suggest it would now take a full-blooded assault by federal troops to dislodge the rebels.

The conflicting demands on Mr Lebed highlight the political difficulties the former general confronts in the Kremlin in attempting to resolve the Chechen conflict.

Mr Lebed yesterday tried to soften his earlier demand that General Anatoly Kulikov, the interior minister, should be sacked, saying they could both work together if Mr Yeltsin so decreed. "A settlement of this bloody slaughter is more important than my personal ambitions or Kulikov's ambitions," Mr Lebed said.

Meanwhile Mr Yeltsin's new press secretary, Mr Sergei Yastrzhembsky, condemned recent western news reports about the poor state of the president's health as nothing more than "rumour and conjecture".

Britain's royals consider changes to monarchy

By David Wighton in London

The British royal family is considering proposals that would bring it more into line with other western European monarchies.

The plans include cutting the number of family members involved in public duties, ending the 300-year ban on the monarch marrying a Catholic and allowing women members equal rights to the throne.

Senior family members and advisers are also believed to be looking at the public funding of the monarchy after the current arrangements, under which the family receives £55m ($85.8m) a year, expire in 2000.

But it is not clear if they are considering changes to the monarch's powers to to appoint prime ministers and dissolve parliament.

The discussions are taking place against increasing political pressure for reform. The British public has followed frequent media reports on the extravagant lifestyles of some family members and high-profile divorces of three of Queen Elizabeth's four children.

While Buckingham Palace would not comment on particular proposals, it confirmed that "strategic issues" were discussed at regular meetings between family members and royal advisers. But it said no decisions were "imminent".

Buckingham Palace said reforms had already been introduced since 1992, when the Queen agreed to pay income tax and the number of family members receiving public funds was reduced.

Observers say likely reforms include ending the ban on Catholic marriage and restrictions on female succession.

Lord St John of Fawsley, a constitutional expert and former Conservative cabinet minister, said that allowing royal family members to marry Catholics would not require the severing of the special link between the monarchy and the Church of England.

The Queen is thought to be keen that the monarch stay head of the Church of England, but Prince Charles, the heir to the throne, has suggested the link is outdated.

More contentious would be changes to public funding of the royal family. Buckingham Palace would not comment on suggestions that it was considering the scrapping of all public subsidy in exchange for the return of former crown lands.

It seems unlikely the government would accept this. The Crown Estates generated income of £94.6m last year while total public funding of the royal family cost £55m.

Editorial Comment, Page 11

THE LEX COLUMN

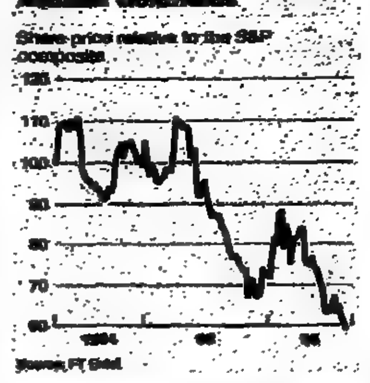
Transatlantic turbulence

British Airways may yet pull off its alliance with American Airlines. But the omens do not look good. It is bad enough that most other US airlines – including USAir, BA's current partner – are lobbying against the deal. BA now has to contend with the fact that the British government is resisting the sort of "open skies" deal that the US administration wants to sign. The UK may well be right to hang tough in these negotiations; but the effect is that BA can no longer count on a juicy carrot being dangled in front of the US in exchange for blessing its American partnership.

The odds are that BA will at least have to make concessions to secure antitrust approval. One possibility is that it could be forced to give up slots at Heathrow to allow transatlantic competition to develop more rapidly. The risk is that the resulting price falls could outweigh the benefits expected from the American tie-up. Another possibility is that some routes – notably London-New York – may have to be cut from the deal as the price for regulatory approval. That would remove much of the alliance's attraction.

Meanwhile, BA's deteriorating relationship with USAir makes it look less likely that it will end up in alliance with both US airlines. If the American partnership is blocked, BA could even emerge with no US partner. It is still sufficiently attractive not to be left permanently on the shelf. But with the most sought-after US airlines already tied up, BA could be left for some time scrabbling around for a date.

FT-SE Eurotrack 200:
1711.42 (-4.5)



German tax reform

While their fellow citizens are stewing on Mediterranean beaches, Bonn's politicians have been getting hot under the collar over tax. With one eye on the next election in 1998, the main parties are vying to outdo each other with bold plans for tax reform.

There is a big prize for the taking. Germany's tax system, is one of the most complex and inequitable in the world. A local court ruled recently that due to the number of available exemptions, individuals could no longer be expected to fill in their tax returns correctly. Simplifying the system and closing loopholes would enhance German competitiveness, and encourage investment. It would also save enough money – estimates range up to DM75bn or more than 2 per cent of gross domestic product – to enable substantial cuts in income tax. Germany's current top rate of 53 per cent on salaries over DM120,000 is significantly higher than in the UK or US.

While everyone agrees on the goal, they differ on how to achieve it. Chancellor Helmut Kohl warned last week that any reductions in income tax would have to be paid for by raising valued added tax, a measure opposed by the other parties. Nor does the government have much scope for generosity given the need to cut its budget deficit to meet the Maastricht criteria for monetary union. The lesson from this year's programme of controversial spending cuts, currently stuck in parliament, is that any tax cuts that do arrive in 1999 will be rather limp.

Ashanti/Lonrho

Ashanti Goldfields' plans to transform itself into the leading African gold mining house are stumbling. It has increasingly resembled a company where gold reserves exceed management resources. It has come well short of its target for producing 1m ounces of gold from its Obuasi mine. But instead of focusing on improving productivity in existing mines, it set out this year to acquire three more mining companies in as many continents. Not surprisingly, this has hurt its share price. So the fact its all-paper offer for Golden Shamrock Mines (GSM) looks on the brink of collapse may actually bode well for its shares.

Ashanti's difficulties come at a bad time for its largest shareholder, Lonrho, which is considering a separate listing for its mining interests. Lonrho's platinum business was recently left in a strategic lurch by the European Commission's decision to block its proposed merger with Gencor's platinum business. The Ghanaian government holds blocking rights for any bid for Ashanti.

Meanwhile, Anglo American's stake in Lonrho itself effectively prevents any bids for the holding company. Lonrho Mining would therefore trade at a chunky discount to what has been a declining net asset value.

Lonrho has plenty of opportunities to spruce up its mining business. Buying RTZ's platinum interests, which are understood to be for sale, would build the critical mass that the Impala deal was intended to achieve. But as things stand, Lonrho's break-up offers no short-term attractions for investors.

Argos

Mr Mike Smith is a famously dour chief executive running a company that is fast becoming famously boring – in the best possible way. Argos has once more turned in excellent results, prompting analysts to bump up their earnings forecasts. It continues to guzzle up market share and is aggressively asserting its status as the cheapest high street retailer.

The growth outlook appears promising. The company still has scope to expand its core network of catalogue stores in the UK by 25-50 per cent over the next few years. It also plans 70 catalogue stores in Holland and is experimenting on some promising new concepts for the UK.

Meanwhile, the company should have opportunities to make an earning-enhancing acquisition related to its core businesses, though it is encouraging that it is not being hurried. The *Zeitgeist* also favours Argos: 1990s' consumers are much more cost conscious than their 1980s' counterpart; and a retailer selling no-frills goods looks well-placed to adapt to the growth of "non-shop" shopping.

The biggest wrinkle lies in Argos' share price. It remains at a healthy premium to the sector, and looks to have priced in most of the good news. The rate of profits growth will also slow in the second half. The suspicion is that, sooner or later, Argos will run into more formidable competition than it currently faces. For now, though, it looks like more boredom – of the best sort.

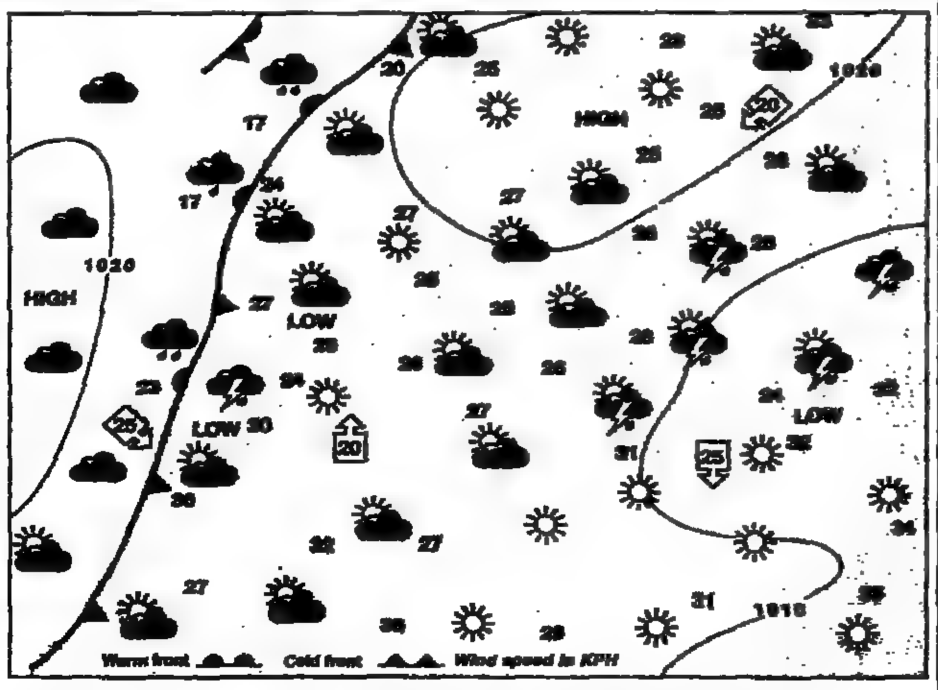
FT WEATHER GUIDE

Europe today

It will be sunny and warm over the Benelux, Germany, southern Sweden, the Baltic states and Poland. Russia will be cloudy with sunny spells.
France will have thunderstorms, especially in the south. It will be cloudy with outbreaks of rain in north-west Spain and Portugal but the east will remain dry with sunny spells. Some cloud will form in Italy, especially in the north. Switzerland will have scattered thunderstorms. Some thunderstorms will linger over the Balkan states and Greece. The Black Sea area will be affected by thunder showers.

Five-day forecast

A cold front over the British Isles will gradually extend eastwards.
Thunderstorms will develop over France and reach the Benelux on Wednesday.
High pressure over Scandinavia will bring generally dry conditions to Sweden, Finland and western Russia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	sun 43
Accra	cloudy 27
Algiers	fair 32
Amsterdam	sun 27
Athens	sun 29
Atlanta	fair 31
B. Aires	fair 20
B.ham	rain 25
Bangkok	rain 35
Barcelona	fair 26
Beijing	fair 32
Belfast	rain 18
Belgrade	thund 24
Berlin	sun 27
Bermuda	fair 29
Bogota	cloudy 19
Bombay	rain 32
Brussels	sun 27
Budapest	fair 26
C.hagen	sun 24
Cairo	sun 36
Cape Town	fair 17
Caracas	shower 32
Cardiff	cloudy 22
Casablanca	fair 24
Chicago	shower 30
Cologne	sun 26
Dakar	fair 31
Dallas	fair 35
Delhi	rain 31
Dubai	sun 42
Dublin	rain 19
Dubrovnik	fair 25
Edinburgh	rain 19
Faro	cloudy 28
Frankfurt	sun 27
Geneva	shower 26
Gibraltar	fair 27
Glasgow	rain 18
Hamburg	fair 28
Helsinki	sun 25
Hong Kong	fair 30
Honolulu	fair 32
Istanbul	thund 24
Jakarta	shower 31
Jersey	fair 29
Karachi	fair 34
Kuwait	sun 47
L. Angeles	sun 24
Las Palmas	fair 27
Lima	cloudy 19
Lisbon	cloudy 23
London	fair 27
Lux.bourg	sun 26
Lyon	shower 27
Madeira	fair 24
Madrid	fair 29
Majorca	fair 30
Malta	sun 30
Manchester	rain 23
Manila	fair 33
Melbourne	shower 11
Mexico City	fair 24
Miami	shower 31
Milan	fair 25
Montreal	fair 28
Moscow	fair 25
Munich	fair 25
Nairobi	fair 25
Naples	fair 28
Nassau	shower 32
New York	sun 29
Nice	sun 27
Nicosia	sun 35
Oslo	fair 24
Paris	fair 28
Perth	rain 17
Prague	fair 25
Rangoon	rain 30
Reykjavik	fair 11
Rio	fair 19
Rome	fair 29
S. Frsco	sun 21
Seoul	fair 30
Singapore	shower 30
Stockholm	sun 25
Strasbourg	shower 26
Sydney	fair 15
Tangier	fair 25
Tel Aviv	fair 30
Tokyo	shower 30
Toronto	fair 27
Vancouver	fair 18
Venice	fair 25
Vienna	fair 25
Warsaw	fair 28
Washington	sun 30
Wellington	rain 14
Winnipeg	fair 25
Zurich	fair 24

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday August 20 1996

IN BRIEF

Mannesmann cautions on year

Mannesmann, the German mobile phone to tanks conglomerate, reported interim net profits up 28 per cent to DM180m ($120.5m). However, it warned that full-year operating profits would be only "slightly" better than the DM911m reported last year. Page 15; Dieter fined DM1m after Rexroth probe, Page 15

Singapore plans cut-price telecom offer

The Singapore government is to offer all Singaporean adults cut-price shares in Singapore Telecommunications, the city-state's largest company, when a second tranche of its stock is sold. Mr Goh Chok Tong, the prime minister, said 500 SingTel shares would be offered to each citizen aged over 21 at S$2.50 each. The company's share price closed at S$3.22 yesterday. Mr Goh did not say when the share offer would open or close. Page 14

NCC rises to SKr3bn midway

NCC, the Swedish construction group, reported an upturn in profits in the first six months of the year to SKr3bn ($451.8m) against SKr189m a year ago. However, it continued to be held back by a recession in Swedish house building that has lasted five years. Page 15

BG Bank at DKr821m in debut half

Denmark's BG Bank, formed this year by the merger of Bikuben bank and the Post Office's GiroBank, reported "satisfactory" pre-tax profits of DKr821m ($142.2m) in its first six months of operation. The result compares with the banks' combined total of DKr788m in the first half of 1995. Page 15

Argos plans Netherlands stores

Argos, the UK catalogue retailer, reported a better-than-expected 45 per cent rise in interim pre-tax profits to £31.8m ($49.6m), and said it planned to open stores in the Netherlands. Page 18; Lex, Page 12

Cheung Kong Infrastructure rises 44%

Cheung Kong Infrastructure, recently spun off from Cheung Kong, the Hong Kong property development group, reported half-year net earnings of HK$347.2m (US$44.9m), up almost 44 per cent from a year ago. The results, calculated as if the group had been in existence throughout the reporting period, put CKI on course to meet its prospectus forecast of a minimum HK$728m for the full year. Page 14

Indian tea crop increases 8%

India's tea harvest in the first half of this year was 8 per cent higher than a year ago at 285.1m kg. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				UFB Locab	450	+	20
Rises				**Falls**			
Rotomann	379	+	8.5	BIC	710	−	15
Kaufhof	545.5	+	11.5	Crdt Natl	321	−	9.9
Metro Prf	105	+	5.1	Essilor Int	1259	−	28
SGL Carbon	179.5	+	5.4	Imetal	844	−	23
Zanders Fein	92	+	4	**TOKYO (Yen)**			
Falls				**Rises**			
Lahmeyer	542	−	10	Fuji Spinning	554	+	29
NEW YORK ($)				Marudai Corp	898	+	31
Rises				Mitsui Soko	[illegible]	+	43
Barrett Res.	38¼	+	1¼	Nissin Oil	[illegible]	+	45
Chateau Alum	20¼	+	5¼	Tokyu Const	777	+	38
Chateau Props	29⅝	+	2¼	**Falls**			
Falls				Toyo Tst & Bnk	875	−	25
Apria Hlthcre	23¼	−	1¼	**HONG KONG (HK$)**			
Diana Corp	21	−	1¼	**Rises**			
Harrahs Ent	18¼	−	2¼	ABC Com	2.575	+	0.27
LONDON (Pence)				Dah Sing Fin	25.9	+	0.8
Rises				Wheelock	15.2	+	0.4
API Group	395	+	22	**Falls**			
Cairn	455	+	33	Orient Tele	1.9	−	0.3
Page (Mich)	354	+	37	San Miguel HK	2.95	−	0.12
Falls				Winsor Ind	7.3	−	0.45
Colleague	105	−	14	**BANGKOK (Baht)**			
Firecrest	43	−	15	**Rises**			
Waco Group	152	−	15	CCC	53.0	+	4.0
TORONTO (C$)				Phatra Ins	195.0	+	17.0
Rises				Phoenix Pulp	74.0	+	8.5
Cdn Marconi	18.5	+	1.0	**Falls**			
Chum Ltd	19.5	+	1.3	Hemaraj L&D	130.0	−	10.0
Lindsey Mrn	9.5	+	1.5	Int Cosmetics	174.0	−	11.0
Falls				KCE Electric	104.0	−	7.0
Alias Corp	18.0	−	1.0				
Dreco Engy A	30.0	−	1.75				
Interpower	9.4	−	0.6				
PARIS (FFr)							
Rises							
LVMH	1104	+	18				

New York and Toronto prices at 12.30pm.

Telefónica ends Latin America talks

By David White in Madrid

Spain's Telefónica has broken off discussions with AT&T and GTE over the possibility of the US companies' taking a stake in its Latin American operations.

The partly-privatised telecommunications group said Mr Juan Villalonga, its new chairman, had decided there was no longer a need for "technological partners" in Telefónica Internacional (Tisa), its overseas subsidiary.

The decision marks a sharp turnround in Telefónica's strategy after two years of contacts with the two US groups. Its aim had been to bring either or both of them in as Tisa shareholders to help strengthen its position in the global telecoms market.

Instead, Telefónica said it was seeking to consolidate its international position through alliances.

It had been reported on several occasions to be on the brink of a deal, and had confirmed it was holding talks with foreign companies including GTE and AT&T. However, it said yesterday these talks did not involve formal negotiations.

Prospects for a shareholding deal receded in the aftermath of the 1994 Mexican currency crisis, but later revived.

In the interim, Telefónica has built up its position as the principal foreign telecoms group in Latin America, notably through the acquisition of Telefónica del Perú. It is aiming to expand into Brazil via a consortium bidding for the privatisation of a 35 per cent stake in CRT, the regional operator.

At the same time, Telefónica has forged links with AT&T through the European grouping Unisource, in which it is a 25 per cent partner. AT&T and Unisource agreed earlier this year to merge most of their cross-border operations in Europe.

Telefónica also has ties with both US companies in ventures in Mexico and Venezuela.

Its decision to drop the shareholding plan leaves a question over the future capital structure of Tisa. The plan under discussion would have involved the transfer of shares held directly by the Spanish state, which has a 23.8 per cent interest in Tisa.

The remainder of the shares are held by Telefónica, of which the state currently owns about 21 per cent. The latter stake is scheduled to be sold under the government's plans.

AT&T and GTE yesterday seemed surprised by Telefónica's apparent acknowledgement that informal discussions could have led to either or both US groups' taking a stake in Tisa. AT&T said it had never confirmed it had been in discussions with Telefónica and refused to comment further.

GTE, which also refused to confirm the existence of the talks, said it had not heard of Telefónica's decision.

Porsche in talks to sell Mercedes in US

By Haig Simonian, Motor Industry Correspondent

Mercedes-Benz and Porsche, the German car groups, yesterday said they were in talks that may lead to Porsche selling an up-market version of Mercedes-Benz's new US-built sports utility vehicle to go on sale next year.

The agreement, under discussion for some time, could significantly strengthen co-operation between the two Stuttgart-based companies. Links were first developed in 1990 when Porsche built the E500, a high-performance version of a Mercedes-Benz car.

The two companies would not say when the negotiations would conclude.

Although the existence of talks has been known for some time, Mercedes-Benz had until recently been thought to be lukewarm for fear of cannibalising sales of its own model.

With construction at Mercedes-Benz's new Tuscaloosa plant in Alabama now complete and production equipment for the new M Class vehicle being installed, a

Mercedes' M Class vehicle

result is expected relatively soon.

The new vehicle, developed to compete with products such as Land Rover's Discovery and the Chrysler Cherokee, is designed for the buoyant US sports-utility market. Demand for such vehicles, which have substantial off-road capacity but are usually used by image-conscious drivers on normal highways, has accelerated in recent years as products have been introduced, increasing customer awareness.

Capacity at Tuscaloosa is expected to reach 65,000 units a year, with the bulk destined for the US. Exports to Europe will start in early 1998.

The advantages for Porsche of gaining access to the M Class are clear. Although the company has survived a troubled period in the early 1990s, when sales of its distinctive sportscars slumped, its range remains limited. Developing a Porsche-badged sports-utility vehicle could create a substantial market.

The appeal for Mercedes-Benz is less obvious – explaining its previously uncertain approach to the talks. Selling 5,000-10,000 M Class vehicles a year to Porsche would improve capacity utilisation at Tuscaloosa and potentially increase the market awareness for the new vehicle.

However, Mercedes-Benz is believed to have stressed the two versions would have to be different to avoid diluting sales, while the commercial arrangements between the two companies would have to be considered carefully so as not to antagonise Mercedes-Benz's US dealers.

According to Der Spiegel, the German news magazine, the Porsche-badged version of the vehicle would have distinctive metalwork and be powered by a high-performance V8 engine to help distinguish it from the Mercedes-Benz version. Such treatment would also be more in keeping with Porsche's own image as an exclusive sportscar maker.

Alpine railway set for flotation

By William Hall in Zurich

Switzerland's top tourist attraction is about to be floated on the Swiss stock market. About 35 per cent of the shares in the Jungfraubahn, which runs the highest and most spectacular railway in Europe, will be sold in an international offering which will be priced today and is expected to value the company at about SFr130m ($108.3m).

The Jungfraubahn (pictured above, yesterday) is one of the odder new issues of recent years. Its founder, Adolf Guyerzeller, wanted to build a railway in the 1890s to the top of the Jungfrau (4,158m). The project, which involved driving a tunnel through the north face of the neighbouring Eiger (3,970 metres), ran out of money before it could reach the top, and the cog railway now terminates at the Jungfraujoch, about 700 metres below the summit.

Nevertheless, it carried 500,000 passengers last year and earned SFr16m on revenues of SFr95m. It has financed the bulk of a SFr130m modernisation programme from internal funds and pays a handsome dividend by Swiss standards. It also offers shareholders who turn up to the company's annual meeting the added perk of cheap trips up the Jungfrau. The line's success owes a lot to the growth in Japanese visitors, though the SFr153.90 ($127.70) cost of the 2¼-hour ride deters budget-conscious travellers.

The timing of the issue has been dictated by the need of the Berner Kantonalbank, one the leading shareholders, to repair its balance sheet. The proprietors of the railway are optimistic, that their venture will continue to prosper, although 1996 earnings are expected to dip for the second year running, to SFr13m.

The shares are being sold on a prospective multiple of about 10 times earnings and a yield of 3.6 per cent. This is a considerable discount to the Swiss market, which is selling at about 17 times earnings and yielding less than 2 per cent.

The shares are aimed at international investors who want a "pure play" on the Swiss tourist industry and the sort of Swiss investors who once bought Swissair shares because it was regarded as part of the national heritage.

Observer, Page 11

Bid speculation buoys EMI on first day

By Alice Rawsthorn

EMI Group, the UK-based record company, saw its shares rise to a higher level than expected yesterday on its first day of trading as an independent entity. The shares were buoyed by renewed speculation of a bid from a North American entertainment group.

Shares in EMI, which ended its 17-year association with the Thorn rental chain on Friday when the demerger of the Thorn EMI group was approved by shareholders, closed at £14.60, a rise of 37½p.

This values EMI, which includes the Beatles, Smashing Pumpkins, George Michael and Janet Jackson, among its roster of artists, at £6.39bn ($9.96bn) and made it the FT-SE 100 Index's best performer of the day.

EMI's underlying performance was even more impressive as its share price excluded the 29.5p dividend payable to Thorn EMI's investors for the last financial year.

Analysts anticipate further growth for EMI's share price over the short term. ABN Amro Hoare Govett expects the shares to reach £15, putting them on a prospective price/earnings ratio of more than 27 on projected pre-tax profits of £406m for the year to March 31.

Forecasting longer-term value is complicated by the stock market's hopes of a bid for EMI by a North American entertainment group such as Seagram, Walt Disney, Viacom or News Corp.

"EMI's premium is underpinned by fairly solid earnings growth as music piracy is reduced and new markets emerge," said Mr Anthony de Larrinaga, media analyst at Panmure Gordon, "but it is difficult to tell how much of its value is due to underlying expectations of corporate activity from Seagram or Disney."

Sir Colin Southgate, EMI's chairman, and Mr Jim Fifield, chief executive, have attempted to squash the bid rumours. Both have affirmed that they have had informal approaches from other companies, but they maintain that the dramatic rise in Thorn EMI's shares before the demerger may make EMI too expensive for predators.

The outlook for Thorn, which owns the Rent-A-Center chain in the US and Radio Rentals in the UK, seems likely to be less turbulent.

It made a disappointing start in its first day of trading after the demerger yesterday when it emerged as the FT-SE 100's worst performer with its shares falling by 19p to 391p amid heavy trading in 11m shares. At this price Thorn is capitalised at at £1.71bn.

Mr John Richards, retail analyst at NatWest Securities, praised Thorn's efforts to diversify into new concepts with greater growth potential such as "rent-to-buy", but noted that these are long term developments.

In the medium term he expects Thorn's shares to settle at 405p. This puts the company on a prospective p/e of 14.5, on pre-tax profits of £167.5m for the current year.

Citibank Asia head in move to Chase

By John Ridding in Hong Kong

Mr Antony Leung, head of Citibank's Asia-Pacific private banking operations, is to resign to join Chase Manhattan, marking further upheaval at Citibank's regional operations. The move follows the departure of another senior private banking executive.

Mr Leung has worked for the US bank for 28 years, establishing himself as one of Hong Kong's most prominent bankers and building strong contacts with China. These include membership of the Preparatory Committee, the 150-member body appointed by Beijing which is overseeing Hong Kong's handover to China next year.

News of his departure, not announced officially but confirmed by Citibank, follows last week's announcement that Mrs Amy Yip, planning director of the private banking division, is to move to the Hong Kong Monetary Authority, where she will manage the territory's foreign exchange reserves.

Officials at the bank described Mr Leung's move as a personal decision and said a successor had not yet been decided. "It is a loss," the bank said. "He has contributed a lot to the building of the bank's franchise."

At Chase Manhattan he is expected to take charge of operations in Greater China – China, Hong Kong and Taiwan – and the Philippines.

Bankers in Hong Kong said Mr Leung's move might be related to recent management changes at Citibank. Last October, Mr Leung was moved from his post as head of corporate banking for Hong Kong and China, while Mr Tim Kelley, general manager of consumer banking in Hong Kong, was transferred to London.

As head of the Asia Pacific private banking operations, Mr Leung was involved in a growing but increasingly competitive business.

Citibank, the world's largest non-Swiss private banking group, does not give a geographical breakdown of its revenues. However, it said the Asia-Pacific region represented a significant part of the US$115bn of private banking assets it managed.

MTV acquires 50% of Brazil service

By Alice Rawsthorn

MTV Networks, the video music channel, is expanding its international interests by acquiring 50 per cent of MTV Brasil from Abril Group, the Brazilian media company.

Abril, which has television and publishing interests throughout Latin America, launched MTV Brasil in 1990 after clinching a licensing agreement with MTV.

It has since established the channel, a Portuguese language service, as one of Brazil's most successful youth media, relaying a mix of Brazilian and international music to 15m households.

Mr Tom Freston, chairman of MTV Networks, a subsidiary of Viacom, the US entertainment group, said the deal represented an opportunity for MTV to expand in Brazil at a time when "satellite and cable [are] exploding throughout the region".

Under the terms of MTV's agreement with Abril, the existing management team will stay in place to run the channel.

Mr Roberto Civita, president of Abril, said he hoped MTV's investment would enable MTV Brasil to enhance its programming output and to utilise the US company's technology and expertise.

The investment in MTV Brasil, for an undisclosed sum, reflects MTV Networks' strategy of expanding and refining its international operations. Earlier this year the company announced plans to split the existing MTV Latin America service in two, with one channel aimed at Central America and the Caribbean, and the second at Latin American countries such as Argentina and Chile.

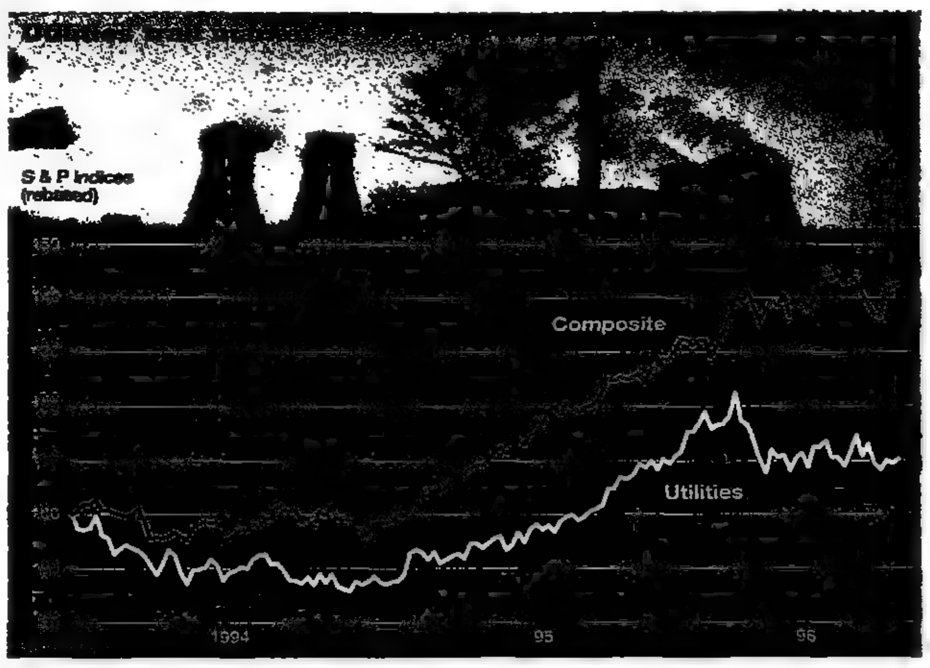
In Asia, MTV intends to expand its Indian service to five hours of programming a day by the end of this year, and to set up MTV India sales and marketing operations in Bangalore, Calcutta and New Delhi.

MTV Europe recently finalised plans to regionalise its programming and to enable advertisers to target particular regions, rather than placing ads across the entire continent.

The internationalisation of MTV's activities coincides with efforts by record companies to extend their involvement with music television by launching, and investing in, rival channels.

Power groups seek spark of difference

Spate of US mergers driven by desire to offer unique service



Electricity and gas can be an explosive mix – but combinations of the two are multiplying as the US energy industry continues its rapid consolidation.

Until recently, US utilities' urge to merge had been confined mainly to electricity companies seeking to gain strength by joining forces with their neighbours.

The electricity companies are still merging with one another: but now they have started joining with gas companies to form utilities that they hope will serve all their customers' energy needs.

The latest example was last week when the Texas-based Houston Industries, one of the biggest US electricity companies, announced an agreement to buy NorAm Energy, a Texas-based gas company, for $2.4bn. This came only a month after Enron, a Houston-based energy company with extensive gas interests, had announced plans to buy Portland General, an Oregon-based electricity utility, for $2.1bn.

As long as electricity utilities were merging with one another, the motivation was fairly clear. Creeping deregulation is opening the US electricity market to competition, and those companies that can deliver electricity at the lowest cost are the most likely to survive and prosper.

Yet analysts insist that cost-cutting is not the prime motivation for mergers between electricity and gas companies.

Mr Phil Giudice, head of Mercer Management Consulting's energy practice in Boston, says that in a deregulated market, it will be open to all electricity distributors to obtain their electricity from whatever happens to be the cheapest source, so charges are unlikely to differ much from one company to another. That means electricity companies will need to find other ways of setting themselves apart from the competition.

"The underlying strategic drive is how companies can do something for their customers that is different from what other companies are doing," Mr Giudice says. "So all kinds of new behaviours and new suites of products and services are being considered."

Mr Ed Tirello, utilities industry analyst at NatWest Securities in New York, says mergers between electricity and gas utilities will enable the resulting companies to become total energy suppliers, offering their residential, commercial or industrial customers the best solution to their energy needs. Mr Tirello predicts a wave of takeover activity as electricity utilities snap up the available gas companies.

The reason is that no electricity utility dare risk the possibility that a rival might acquire a gas company in its territory, because that would leave it facing potentially overwhelming competition from a total energy supplier.

The remaining gas companies are therefore likely to change hands at high prices, Mr Tirello suggests. Typically, these are as much as two or three times book value.

"It almost doesn't matter what you pay for them because you simply can't afford to have the other guy sitting there in your neighbourhood," he says.

Mr Tirello predicts that the actual delivery of gas and electricity will eventually become a relatively minor part of utilities' overall business. "I think utilities are going to offer basic electricity and basic gas slightly above break-even," he says.

"The idea will be to catch the customer's bill so that they can offer 20 or 30 enhanced services where all the [profit] margins will be – for example, home security, appliance repair, and air conditioning services."

Mercer's Mr Giudice agrees, predicting a further revolution in which these total energy suppliers team up with other utilities such as telecommunications companies and cable television operators to offer even wider ranges of added-value services: for example, real-time diagnostics that would put out an alert if a furnace was working too hard because someone had left a window open.

At the very least, such alliances should yield savings by enabling companies to send out one bill for a whole range of utility services.

And as Mr Giudice points out: "If you can operate just a penny or two more efficiently than the next guy in a competitive commodity market, that can really matter."

Richard Tomkins

CKI on target with 43% advance

By Louise Lucas in Hong Kong

Cheung Kong Infrastructure, the unit recently spun off from Cheung Kong, the Hong Kong property developer controlled by Mr Li Ka-shing, yesterday reported net earnings of HK$347.2m (US$44.9m) for the six months to June 30, up 43.88 per cent on the same period last year.

The results, calculated as if the group had been in existence throughout the reporting period, put CKI on track to meet its prospectus forecast of a minimum HK$728m for the full year. It said yesterday it was confident of meeting this goal.

As stipulated in the listing prospectus, there is no interim dividend.

CKI had interests in 19 infrastructure projects in China when it listed on July 17. Of these, 18 will generate revenue by the end of the year, compared with six in 1995.

Since the listing, which raised HK$4.15bn, one further contract and several letters of intent have been signed. The contract sees CKI team up with Hopewell Holdings, the Hong Kong listed infrastructure company, to build a portion of a ring road in the southern Chinese city of Guangzhou. Two letters of intent relate to deals in the province of Guangdong.

The group also noted promising prospects for its cement and construction materials business, which now accounts for the bulk of CKI's profits. CKI said Green Island Cement, a company taken private by Mr Li in the 1980s and now part of CKI, and stablemate Anderson Asia, continued to maintain market leadership in Hong Kong, while Hong Kong government statistics show local cement consumption grew almost 15 per cent from January to May 1996, and prices rose 11 per cent.

Earnings per share for the six months rose 41.66 per cent, to 34 cents.

NEWS DIGEST

Pioneer to offer retirement at 27

Pioneer, Japan's leading specialist maker of laser discs and audio equipment, is planning to offer early retirement to employees as young at 27 in an attempt to cut its workforce by 9 per cent by the end of September. The company, which is looking to cut 650 from its payroll, will offer early retirement to workers who are at least 27 years old and who have been with the company full time for at least five years.

"Pioneer is facing severe business conditions in Japan, including intensified competition, a trend toward low prices of audio-video products, and a shift from laser karaoke to online systems," the company said.

The announcement came as Pioneer reported a return to profit in the first quarter of the year, supported by strong audio sales and a weakening of the yen. Consolidated sales in the first quarter were up 13 per cent to Y128.9bn ($1.2bn) while the company reported pre-tax profits of Y766m, compared with a loss of Y3.1bn previously. *Michiyo Nakamoto, Tokyo*

Australis Media talks stall

Australis Media, the troubled Australian pay-TV operator, yesterday said negotiations over a financial restructuring package had reached an impasse. Unless resolved relatively quickly, the stalemate could put the group's survival in question.

Australis said its board, "based on legal and financial advice", believed the company was currently solvent. However, it again asked for its shares to be suspended "pending further developments". Trading, which has been interrupted on several occasions in recent weeks, was halted with the price around 12 cents.

The company, which announced an after-tax loss of A$164m (US$128.6m) for the nine months to end-March, has been in a precarious financial position since early 1996. In May, it won a temporary reprieve when a number of investors – including Mr Kerry Packer's Publishing and Broadcasting group and Sir Ron Brierley's Guinness Peat – agree to act as guarantors for a US$125m six-month bank loan and revolving facility from Toronto-Dominion Australia, part of the Canadian banking group.

Since then, Australis has been trying to secure longer-term finance, mainly through a US$225m offering of debt securities in the US. *Nikki Tait, Sydney*

Bridgestone bounces to top

Bridgestone of Japan has become the world's biggest manufacturer of tyres measured by value of sales, demoting Groupe Michelin of France to second place and Goodyear of the US to third.

The company, which has gone from being a relatively small localised producer to the world number one spot in little more than 20 years, last year accounted for $13bn of the world's total $68bn tyre sales, according to an industry analysis. The analysis was undertaken by Crain Communications for the annual global tyre reports of its European Rubber Journal and North American tyre industry publications.

Michelin had tyre sales of $12.3bn and Goodyear $10.1bn, according to the report's "Top 50" league table. However, Michelin still made and sold more units than its two main rivals last year, while Goodyear was the most profitable. Together, the three companies account for more than 51 per cent of total world tyre sales, the report says. *John Griffiths*

Ashanti's GSM bid under threat

By Nikki Tait in Sydney

A 26 per cent fall in the share price of Ashanti Goldfields in the past four months has led most directors of Golden Shamrock Mines, the Australian goldminer for which that Ashanti is bidding, to abstain from recommending, or opposing, the takeover plan.

GSM yestrday noted that the price of shares in Ashanti – the Ghana-based mining company in which Lonrho of the UK has a 37 per cent stake – had tumbled from US$24.37 when the deal was announced in mid-April to US$18 at the end of last week.

"In these circumstances, seven of the eight directors of GSN do not wish to give a recommendation to shareholders either in favour of or against the share scheme," it said. The directors added that they had not yet decided how to vote their own holdings, although these are not large. An eighth director said a recommendation should be made and on balance was in favour of acceptance.

Yesterday's statement contrasts with the supportive stance taken when the share-swap deal was first announced. Then, the takeover was worth about US$290m – compared with about US$265m now.

Mr Jim Askew, GSM's managing director, said there had been attempts on GSM's part to get the deal restructured, but these had proved unsuccessful.

The seven directors acknowledged that the Ashanti bid price for GSM shares still exceeded the historical market price for GSM, but added that the "premium offered to shareholders is at the bottom of the range which would be expected in a change of control".

"Whilst the directors also acknowledge that the market price of GSM shares may fall in the short-term if the share scheme is not approved, the directors believe that, in the medium to long term, the GSM share price is likely to increase as a result of the anticipated financing and development of the 'Siguiri 1' project and the expansion of existing mining operations", they said.

GSM is based in Australia and listed there, but its main attraction to Ashanti lies in its west African interests – notably a 70 per cent interest in the Iduapriem goldmine near Tarkwa in Ghana, and a 70 per cent stake in the Siguiri open-pit gold project, also in Ghana (with an option to increase this).

GSM shares closed unchanged at A$1.02.

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Pepsi offered Venezuela foothold

By Ray Colitt in Caracas

Three days after Hit de Venezuela, the Venezuelan soft drink bottler, abandoned its 30-year alliance with Pepsi-Cola to launch a joint-venture with rival Coca-Cola, it has offered to sell part of its facilities so that Pepsi-Cola can resume operations.

Hit de Venezuela's owner, the Cisneros Group, has placed six of its 18 production plants, two to three weeks of inventory, lorries and other assets in a trust fund with a local bank with the option for Pepsi-Cola or a designated operator to immediately lease the assets. After an extendible one-month lease, the assets would be sold, the company said.

Mrs Violy McCausland, consultant to the Cisneros Group and one of the architects behind the deal, said both the lease and purchase price were "below what bottlers elsewhere go for".

The idea, she said, "is that Venezuelan consumers will continue to have the option of purchasing Pepsi-Cola products". Several companies had already shown interest in buying the assets, she said, and working with Pepsi-Cola.

Pepsi-Cola has said it will take legal action in response to the surprise move by the Cisneros Group, announced last Friday.

At the weekend, Hit de Venezuela frantically began refurbishing production and distribution facilities. Coca-Cola sent several cargo aircraft with essential supplies, including bottles and bottle caps, to get operations under way. But it will be some time before company banners, logos and other advertisements throughout the country are replaced.

"The talks were held so confidentially that we had little time to prepare promotional activities," Coca-Cola said.

Most Venezuelans, including countless small retailers in remote areas of the country, remained unaware of the shake-up in the soft drink industry.

"The supply truck won't come for another couple of days and they haven't told us of any change," said one shop owner in the beach resort of Mochima, which like most towns in Venezuela is dominated by Pepsi Cola advertisements and products.

As of last Saturday the production of Pepsi Cola products was halted and supplies could be endangered as stocks throughout the country dwindle.

Citizens offered SingTel shares deal

By James Kynge in Kuala Lumpur

The Singapore government is to offer all Singaporean adults cut-price shares in Singapore Telecommunications (SingTel), the city-state's largest company, when a second tranche of the stock is put up for sale.

Mr Goh Chok Tong, prime minister, said that 500 SingTel shares would be offered to each citizen aged 21 and above, at S$2.50 each. The company's share price closed at S$3.22 yesterday.

Individuals in the country's armed forces are to be offered an extra 200 shares if they are on active duty and 100 if they are not performing an active role. This was meant as a token of the city-state's esteem for their work.

Mr Goh did not say when the share offer will open or close. More details will be announced today.

Nearly 90 per cent of SingTel's 15bn shares are held by the government's Temasek Holdings. Mr Goh said the issue may cost the government S$2bn (US$1.4bn), depending on how many people exercise their right to buy the shares. Analysts said the number of shares offered could be about 1bn.

"Each citizen who buys the shares will be getting a subsidy of between S$1,100 and S$1,600," Mr Goh said.

Singapore is expected to announce national elections shortly, which Mr Goh's People's Action Party is expected to win. Singapore has long said that it wants to create a shareholding society in which people feel they have a stake in the country's future.

The government aims to ensure that people hold the SingTel shares they buy, with a scheme under which investors will be given one loyalty share for every 10 they still own after one, two, four and six years.

At the first offer, in October 1993, SingTel shares were made available to most Singaporean adults at S$1.90 – a discount of almost 90 per cent to the strike price of S$3.60 established in a parallel open tender.

Analysts said they expected brisk demand for the second tranche, but added that it might not be as strong as in 1993. Singapore share prices have been falling recently, in part because of concerns over weakening exports.

SingTel reported a net profit of S$1.5bn in the year to March 31, up from S$1.33bn a year earlier.

Mannesmann cautious despite 28% rise

By Michael Lindemann in Bonn

Mannesmann, the German mobile phone to tanks conglomerate, yesterday reported interim net profits up 28 per cent at DM180m ($120.5m). However, it warned that full-year operating profits would be only "slightly" better than the DM911m reported last year.

The higher profits were attributed to strength in the telecoms and automotive technology divisions. This offset losses in the engineering and plant businesses, blamed partly on difficulties in the manufacture of a US steel plant. However, the Düsseldorf-based group said it expected the engineering and plant division, its biggest, to report a profit for the full year.

In spite of the cautious outlook for the second half, which had been expected to be good for German engineering companies, analysts said the half-year results were ahead of forecasts and were "comforting". Mannesmann's shares rose DM1.10 to close at DM536.10.

Mannesmann said it expected capital investments in a number of engineering sectors to stabilise. It said there would be further profits growth from its rapidly expanding telecoms activities built around the D2 mobile phone network.

New orders rose 4 per cent to DM18.4bn compared with the year-ago period. The strongest performance was from Krauss-Maffei, the Munich-based tank maker, which reported a 62 per cent jump in new orders after booking a DM500m contract for the modernisation of Gepard anti-aircraft tanks used by the German and Dutch armed forces.

Sales, however, rose just 2 per cent. Mannesmann blamed this on "a still generally weak economic environment". As with virtually all of Mannesmann's results in the last two years, the strongest sales came from telecoms activities, where turnover rose 57 per cent in the latest period. Sales at the Demag engineering subsidiary fell 30 per cent.

Mannesmann recently fought off bids from several of Germany's leading companies to secure a 49.8 per cent bid in DBKom, the telecoms subsidiary of the Deutsche Bahn railway network. This has left it well-placed to compete with Deutsche Telekom, the state-owned telecoms group.

Mr Michael Hagmann, engineering analyst at UBS, said the sum of Mannesmann's parts suggested the share price should be about DM630. "However, uncertainty related to the costs regarding its telecoms aspirations and uncertainty related to Demag are holding the share price back," he said.

Dieter fined DM1m after Rexroth probe

Mr Werner Dieter, Mannesmann's chief executive until July 1994, faces a fine of DM1m ($600,000) for forcing Rexroth, a Mannesmann subsidiary, to buy at inflated prices from Hydac, a company controlled by Mr Dieter and his family, writes Michael Lindemann.

The public prosecutor in Düsseldorf, who has been investigating the case since July 1994, recommended the fine because it would take at least another two years to go through the 5,000 files concerning the relationship between the two companies.

A spokesman for the prosecutor said investigations to date showed that Rexroth, a specialist in hydraulic machinery, had suffered a loss of DM253,000. "If we pursued the investigations further we think we would come up with a considerably higher figure, which is why we are proposing this one-off payment," he said.

Mr Dieter resigned from Mannesmann's non-executive supervisory board in February 1995. He has until the end this month to accept the deal. If Mr Dieter refuses, the prosecutor will bring a charge of fraud.

Mannesmann declined to say whether Rexroth was still buying supplies from Hydac. It said the relationship between the two companies "had developed over many years and was not something that could be broken off overnight".

Preussag to cut 800 jobs in shake-up

By Sarah Althaus in Frankfurt

Preussag, the diversified German industrial group, plans to shed about 800 jobs in a restructuring at its plant engineering division aimed at meeting tougher competition and falling domestic demand.

As part of the shake-up, Preussag will withdraw from its automated transportation systems business and seek partners to take over the unit's plants in Hamburg and Stuttgart. The division, comprising mainly Preussag Wasser und Rohrtechnik and Preussag Noell, had total sales of more than DM3bn ($2bn) in the year ended September 30 1995 and a workforce of about 13,000.

Preussag said the measures were necessitated by structural changes in the sector.The advent of suppliers from developing countries was also to blame, it said.

The group plans to concentrate on its core activities.Group net profit totalled DM349m last year, on sales of DM26.4bn.

NCC sees signs of recovery in building sector

By Hugh Carnegy in Stockholm

NCC, the Swedish construction group, yesterday reported an upturn in profits in the first six months of the year. However, it continued to be held back by a recession in Swedish house building that has lasted five years.

Pre-tax profits rose from just SKr189m in the same period last year to SKr3bn ($451.8m). Sales, meanwhile, jumped from SKr7.9bn to SKr10.7bn, attributable in part to acquisitions by NCC in Finland and Norway to strengthen its position in the region.

Profits, however, were boosted by a sharp reduction in losses. This came mainly from the Silja Line ferry company, in which NCC has a 33 per cent share, which reduced charges to NCC from SKr159m last year to SKr66m.

Nevertheless Mr Jan Sjöqvist, NCC chief executive, said he expected the group's core construction operations to produce better results over the full year than in 1995. He left unchanged a forecast that group net profit for the full year would be ahead of last year's SKr227m.

Mr Sjöqvist said housing starts in Sweden remained at historically low levels, after tumbling over the past five years to less than 12,000 a year, the lowest point this century and far below levels of about 70,000 a year in the late 1980s.

Sweden's housing starts are half the number for Finland, which has half the population of Sweden and which itself has suffered a steep construction recession.

NCC's total order intake in Sweden in the first six months fell from SKr6.5bn to SKr6.1bn. But Mr Sjöqvist said there were signs of an upturn – albeit a slow one.

"I think we have seen the worst, but it is a very slow recovery so far. I don't anticipate any dramatic upturn this year, but I am more optimistic looking ahead to the next two to three years," he said.

Jan Sjöqvist: 'I think we have seen the worst'

A crash in property prices and a period of deep general recession, high interest rates and severe government spending cuts have combined to depress house building in Sweden. The slack was taken up to some extent by relatively high levels of road and infrastructure spending. A recent lowering of interest rates should give the housing market a lift.

"We are already seeing a much better housing market in the big cities. They are leading the sector and we are seeing the first signs of recovery," Mr Sjöqvist said.

BG Bank at DKr821m in first half of operation

By Andrew Arnold in Copenhagen

Denmark's BG Bank, formed this year by the merger of Bikuben bank and the Post Office's GiroBank, yesterday posted "satisfactory" pre-tax profits of DKr821m ($142.2m) in its first six months.

The result compares with the banks' combined total of DKr738m in the first half of 1995.

Operating profit, excluding security valuations and extraordinary items, rose from DKr506m to DKr772m. The improvement was attributed to an increase in fee and interest income, profits on currency and security trading and cost reductions. Provisions for bad debts fell by DKr75m to DKr297m, "and they will continue to fall", said Mr Henrik Thufason, BG chief executive.

The bank plans to increase its DKr2.66bn nominal share capital by 10 per cent in the autumn, to finance a customer recruitment drive.

BG's net interest and fee income rose 2 per cent from DKr2.97bn last time to DKr3.04bn.

Mr Thufason said that an improving domestic economy had helped demand for loans and savings from private households, although modest corporate growth and falling interest rate margins held back profits.

The shares rose DKr6 to close at DKr200.

Staff numbers have been cut by 624 since the merger was announced in 1995. This had helped cut costs by DKr92m, to DKr2.16bn.

Under a link-up, BG sells the products of insurance company Topdanmark and mortgage concern Nykredit through its 269 branches. Topdanmark and Nykredit do not sell BG products, but will do in future.

The merger between Bikuben, Denmark's third-largest bank, and the partially state-owned GiroBank took effect on January 1.

NEWS DIGEST

Kinnevik weaker at halfway stage

Kinnevik, the Swedish conglomerate, blamed weakness in the domestic economy for a pre-tax profit fall from SKr460m to SKr382m ($57.5m) in the half year to June 30, in spite of a 6 per cent rise in revenues to SKr5.15bn. Koersnaes, the forestry division, reported first-half operating profit of SKr429m, down from SKr711m a year earlier, on revenues of SKr2.51bn, down from SKr2.65bn.

Over the last few months there has been some improvement in the group's markets, with increased demand and conditions for more favourable prices in place, Kinnevik said. Modern Times Group, the media division, incurred an operating loss of SKr142m, compared with a deficit of SKr154m a year earlier. Sales were SKr1.87bn, up from SKr1.51bn. The television advertising market in Sweden fell 1 per cent in the first half of 1996, compared with growth of 5 per cent a year earlier. MTG has begun a cost-cutting programme and is working on improving profitability, it said. Restructuring plans include cutting staff by 200.

Kinnevik's investment unit showed sales of SKr792m, up from SKr758m a year earlier, and an operating loss of SKr1m, compared with a profit of SKr64m.

Reuter, Stockholm

SMH upbeat for year

SMH, Switzerland's biggest producer of watches, lifted first-half revenues 7 per cent and says overall profits are "substantially better" than last year. SMH, whose Swatch brand was official time-keeper for the recent Olympic games in Atlanta, does not release half-year results. However, Mr Nicolas Hayek, chairman, said analysts' forecasts of 18 per cent growth in full-year profits were "serious".

Some analysts had been expecting that the publicity of the Atlanta Olympics might fuel faster sales growth. However, the strength of the Swiss currency has hurt SMH's performance. Mr Robin Seydoux, analyst with Credit Suisse, said yesterday his forecast of 19 per cent growth in full-year net income, to SFr325m, was unchanged. SMH's registered shares, which have risen 20 per cent this year, fell SFr1.50 to SFr180 yesterday.

William Hall, Zurich

Veba confirms NY listing plan

Veba, the German industrial conglomerate, will seek a Wall Street listing when it next raises capital, according to Mr Ulrich Hartmann, chief executive. In an interview with Handelsblatt, the German business newspaper, he said the company had no immediate need for new equity. However, a spokeswoman yesterday confirmed that "all preparations are in progress" for a New York share listing. Veba plans to increase its foreign sales to 50 per cent of turnover by 2000, from about 30 per cent now.

Peter Norman, Bonn

More aboard Air France

Groupe Air France said passenger traffic in the second quarter to June rose 19 per cent from a year earlier, while revenues per passenger kilometre fell 11 per cent. Sales rose 6 per cent in the second quarter, and seat capacity rose 9 per cent.

AFX, Paris

Brewers thirsty for Romania

International groups are seeking to establish dominant position

International brewing groups' thirst for expansion in east Europe is leading them to stake out a growing presence in Romania, a market still regarded as too risky by many other industries.

Interbrew of Belgium, Germany's Brau und Brunnen, and South African Breweries have taken the lead, but investment bankers in Bucharest are confident that more deals are imminent.

Carlsberg of Denmark and Efes, Turkey's leading brewer, are also joining the race, but have chosen to develop new breweries on greenfield sites rather than to acquire existing outdated capacity.

The brewers are attracting increasing financial support.

The European Bank for Reconstruction and Development is to sign a deal shortly to provide a $43m loan for the Carlsberg project. Significantly, the EBRD also expects to syndicate up to $24m of the loan to a commercial bank in western Europe, and it is keen to back more brewery ventures.

Carlsberg is taking a 20 per cent stake in the venture, with the Danish state Investment Fund for Central and Eastern Europe taking a further 10 per cent. The driving force behind the project is a group of Israeli interests led by Central Bottling Company, Carlsberg's partner in Israel, which will hold close to 60 per cent.

About $55m is to be invested in a brewery on the outskirts of Bucharest with capacity of 500,000 hectolitres a year. Construction is to begin by the end of the year, with production, mainly under the Tuborg brand, due to start in about two years.

The most ambitious brewery project in Romania is being planned by Efes, a subsidiary of Turkey's Anadolu group.

It has leased land at Ploiesti, an industrial city north of Bucharest, and is planning to invest more than $60m in the first phase to create capacity for 750,000 to 800,000 hectolitres a year.

Mr Ilker Keremoglu, chief executive of Efes beverages group, said building permission had been granted recently, and construction was scheduled to begin by the end of the year with production starting two years later.

Efes had also drawn up plans, he said, to spend a further $60m-$80m in a second stage to expand production to as much as 3m hectolitres.

This would create one of the biggest breweries in the region, which could also become an export centre for other markets in central and eastern Europe.

Before the arrival of the big international groups, the Romanian brewery industry was highly fragmented, with about 40 small, regional producers. Development of national brands was hampered by poor product quality and inadequate distribution.

That picture is changing rapidly, however, as the international brewers engage in an intensifying contest to establish a dominant position in the Romanian market. The push into Romania also forms part of a wider strategy for expanding throughout central Europe.

In Romania, an early move to local production has been encouraged by prohibitively high import tariffs on both beer and raw materials, although brewers still face serious seasonal problems in gaining sufficient local supplies of barley and malt.

The pioneers in Romania are Interbrew, the family-owned Belgian group and producer of Stella Artois, which includes Labatt of Canada; Brau und Brunnen, the leading German brewery group; and South African Breweries.

Interbrew entered central Europe in late 1991, in Hungary, and has since made acquisitions in Croatia and Bulgaria. In Romania, it holds majority stakes in two breweries: in Blaj, central Romania, and in Baia Mare in the north.

Both are being expanded to give Interbrew overall capacity of close to 1m hectolitres a year, two nationwide brands – Bergenbier and Hopfenkönig – and a market share of about 10 per cent, although it has already set a target of 20 per cent.

The foreign brewers are rapidly expanding, helped by the introduction of modern technology, greatly improved product quality and investment in national marketing, sales and distribution.

"The big problem earlier was the variable product quality," says Mr Gérard Fauchey, Interbrew external affairs director. "The maximum shelf life was only about 7 days, because they did not pasteurise the product. The small, local brewers could not distribute nationally because of the short shelf life."

The Romanian beer market is estimated at between 9m and 10m hectolitres a year, with a per capita consumption of 45 litres a year, compared with 140 litres in Germany, 39 litres in France and 103 litres in the UK.

Competition is growing rapidly. Brau und Brunnen is currently the largest foreign brewer in Romania. In the past year it has acquired a 75 per cent stake in the Pitber brewery in Pitesti, about 110km west of Bucharest. Its first significant move was the acquisition of a stake in the Ursus brewery in Cluj-Napoca, north-west Romania, in 1992, where it now has a stake of more than 60 per cent. It is developing Ursus as its national brand.

The Pitesti brewery is being modernised, with plant and equipment from the group's closed Elbschloss production site in Hamburg being transported to Romania for re-assembly in Pitesti.

The most recent arrival is South African Breweries, which is adding Romania to operations in Hungary and Poland. Earlier this year it purchased a 70 per cent stake in the Vulturul brewery in Buzau, north-east of Bucharest, which has capacity of 500,000 hectolitres.

It is investing about $18m during the next five years, with $10m to be spent on the modernisation of the brewing facilities, as well as packaging, distribution and marketing.

Creditanstalt, the Austrian bank which is advising the Romanian State Ownership Fund on the sale of controlling stakes in several companies, including breweries, believes there are still attractive investment opportunities in the sector.

There will be a restructuring of the brewing sector "and those breweries which either have no critical mass, poor quality beer products or no cost advantage will be driven out of the market", it says.

Kevin Done

COMPANIES AND FINANCE: UK

Threat to block Refuge merger

By Motoko Rich

A leading shareholder in Refuge Group, the life insurer which announced a £1.46bn ($2.25bn) merger with industry rival United Friendly earlier this month, is threatening to block the deal. Perpetual, a fund management group which holds just over 7 per cent of Refuge, said it believed the deal might disadvantage Refuge shareholders. Mr Neil Woodford, senior investment manager at Perpetual, said: "I am seriously considering voting against the merger."

Mr Woodford, who will meet management and advisers to both companies tomorrow, added: "This deal strikes me as having been put together in haste and with too little recognition of the asset position of Refuge shareholders."

Under the terms of the deal, Refuge shareholders would hold about 47 per cent of the newly-formed United Assurance. The deal would create Britain's fourth largest home services insurer and manage combined assets of £6.5bn. Home services insurers sell through agents who visit customers' homes.

Perpetual's doubts about the terms of the deal, first revealed yesterday by the London Financial News, concern actuarial calculations about the "embedded value" – measuring past, current and probable future profits on life and pension products – of both companies.

Mr Woodford said Perpetual disputed the value Refuge had put on its so-called "orphan assets" - ownerless assets which had accumulated in life company balance sheets. It believed that there might be further hidden assets which could be attributed to shareholders.

"There has been no recognition in the merger terms that the management could extract value from that orphan estate for the benefit of Refuge's shareholders," Mr Woodford said.

Refuge's advisers said that life companies which wished to release these orphan assets to shareholders had first to obtain permission from the Department of Trade & Industry. The DTI has allowed Refuge to attribute only some of its assets to shareholders.

Sir Laurie Magnus of Phoenix Securities, advisers to Refuge, said: "The rules of the Takeover Panel require anything material to shareholders be disclosed when considering a merger, and clearly if there was anything material here it would have been disclosed."

Refuge's shares closed up 13p at 394p yesterday, and United Friendly shares lost 10p to close at 764p.

Kepit fight hots up as deadline passes

By Roger Taylor

The biggest contest in years among investment trust managers kicked off in earnest at noon yesterday when the deadline passed for those wanting to take on the £500m Kleinwort European Privatisation Investment Trust.

Kepit is the subject of a hostile bid from TR European Growth, the rival investment trust managed by Henderson Touche Remnant. Treg proposed liquidating Kepit and returning cash to shareholders, after first deducting its fee.

Kepit responded by inviting better offers.

By yesterday's deadline, 10 companies had put themselves forward, including Treg, Morgan Grenfell, Fidelity, Fleming, Guinness Flight and Kleinwort Benson, the existing manager.

Competition will be intense. Opportunities to take on a fund of this size are rare and few companies will have not thought about making an offer.

The winning entry will have to meet two conditions: it must give shareholders a better cash offer than the Treg bid; and it must provide a credible investment fund for those shareholders who wish to remain.

Kleinwort Benson has proposed converting Kepit into a unit trust. It claims it can make a better cash offer than any other manager since it has the lowest fees to third parties. Anyone else taking on the fund would have to pay the £3m-£4m termination fee for ending Kleinwort's management contract.

Morgan Grenfell plans to broaden Kepit's investment criteria and restructure the fund to allow shareholders a cash option.

Fleming and Fidelity confirmed they had put in offers. Guinness Flight is thought to have proposed a full bid.

Kepit said the remaining offers ranged from those who simply wanted to take on the management of the fund to full bids.

Merrill Lynch, advising Kepit's independent directors, hopes to come back with a recommendation in the next two weeks.

Mercury Asset Management, which runs the rival Mercury European Privatisation Trust, was noticeable by its absence. It cannot justify bidding for Kepit while its shares are at a discount of about 16 per cent and while it is in the middle of an £86m share buy-back.

Argos up 45% and plans stores in Netherlands

By Chris Brown-Humes

Argos, the catalogue retailer, yesterday reported a better-than-expected 45 per cent rise in interim pre-tax profits and announced its first expansion in continental Europe.

Pre-tax profits rose from £21.8m to £31.8m, comfortably beating analysts' forecasts of £28m and prompting a round of upgrades for the full year. The shares rose 14p to 757p.

Analysts said sales momentum had picked up since Argos's May annual meeting and the second half had started well. "These are fantastic figures," said Mr Nick Bubb, analyst at Mees Pierson, as he lifted his full-year forecast from £140m to £152m.

The result was driven by 11.1 per cent underlying sales growth, up from 9 per cent in May.

Mr Mike Smith, chief executive, said higher consumer spending had lifted Argos but low prices had been the main factor. Despite this emphasis, the gross margin rose 0.4 percentage points.

Sales rose 18.2 per cent to £561m and operating profits jumped 63 per cent to £25.5m. The dividend rises 32.5 per cent to 5.3p.

Argos said it would launch its first stores in the Netherlands in 1998 and hoped to have more than 70 there. It said the Dutch were familiar with catalogue retailing and there was no immediate intention to expand into other continental European markets.

Argos said second-half sales were in line with first-half levels. But it warned that higher costs might slow the rate of profits growth and predicted a flat gross margin. It highlighted increased catalogue and marketing costs and said its interest income would be lower after the £127m special dividend earlier this year.

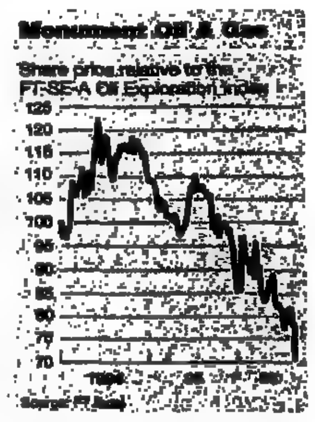
Argos wants to expand its core chain from 390 outlets to 600, while developing two new concepts, Call and Collect and the First Stop discount chain.

"UK retailing will polarise towards high-margin, high-service outlets and low-margin, high-volume ones," said Mr Smith. The group is keen to make an acquisition in one of four areas – jewellery, toys, consumer electronics and houseware – but no talks are under way.

Argos said the emphasis on low prices would remain, despite higher consumer spending. Sir Richard Lloyd, chairman, said: "If we are right that the consumer is going to get more and more choosy about value for money, then there is less reason to expect price inflation in retailing. We are determined to go the other way."

Four investors quit Monument in reconstruction

By Robert Corzine



Four institutional investors in Monument Oil & Gas elected to sell their holdings in the company during a corporate reconstruction and return of shareholder capital completed yesterday.

The oil explorer announced that it will return £33.3m to shareholders out of a possible £50m offered under a reconstruction scheme announced earlier this year.

The pay-out amounts to 7.5p for each existing share. Shareholders were also given the choice of effectively selling their stakes by opting for more cash as long the £50m limit was not breached.

The four departing investors account for about a third of the £33m.

The majority of investors, however, including Mr Tony Craven Walker, the chief executive, elected to convert the cash into shares. Monument's biggest shareholder, the Belgian group Electrafina, increased its holding to 24.52 per cent.

Mr Craven Walker said he was "not disappointed" at the results of the reconstruction.

He also noted that the departure of four institutions had a positive effect by eliminating any overhang of sellers in the company.

The £16m that will not be returned to investors will be available for use in Monument's growing list of exploration projects.

The share price closed 5½p down at 56½p. Analysts said the price fall was expected because the capital repayment had a similar effect to the shares going ex-dividend.

The capital return was made possible by Monument's involvement in the large Liverpool Bay natural gas and oil development. Although the project has run into teething problems this year, it will be generating substantial amounts of cash for the company.

Mr Craven Walker has long maintained that oil explorers that succeed in finding and developing large reserves should give shareholders the option of unlocking the value of their investments.

He said the capital return was a way of saying to shareholders: "Would you like us to go do it again?"

The chief executive added that the company would look at "another big buy-back" in two or three years time if the company's exploration efforts proved successful.

Monument has beefed up its exploration team over the past year and plans to spend £20m a year for such activities.

Costain scales down price of US coal side

By Jane Martinson

Costain has scaled back the price of its US coal business during talks with possible buyers believed to include two US energy groups.

The UK construction group had expected the coal interests to fetch about £50m. But, following UK conglomerate Lonrho's disappointing withdrawal from talks last month, sources close the company said yesterday that this figure was a "bit toppy".

As a result, Costain "went back to the drawing board" and approached those buyers who had been outbid.

Mapco, a US energy group, and Zeigler Coal Holdings, a mining concern, are believed to have been on a shortlist of three during negotiations.

Costain said yesterday that it wanted to sell the coal business and the "sooner it can be done the better".

Lonrho's surprise withdrawal was revealed after Costain shareholders had approved a £73.6m refinancing package which gave Intria, a Malaysian construction company, a 40 per cent stake in the group.

The rescue deal had been opposed by Kharafi, one of its two biggest shareholders. As well taking up its rights during the refinancing issue the Kuwaiti group has increased its stake from 19 to 25 per cent.

The package and a disposal programme was designed to transform the finances of Costain. At the end of last year it had net debt of £76m and negative shareholders' funds of £28m.

Chamberlain Phipps rescue fails

By Jane Martinson

More than 400 jobs could be lost after a last-ditch effort to save Chamberlain Phipps, the UK footwear and materials group, failed to prevent its creditors calling in administrative receivers.

Chamberlain is the sixth failed business venture to be headed by Mr Dan Sullivan, a US investor who is also the company's largest shareholder, with a 25 per cent stake.

Mr Sullivan was a director of five of the companies and the main investor in four of them. He was the company's chairman and chief executive before corporate recovery specialists were called in two months ago.

Although Mr Sullivan is understood not to have been paid since that time his total pay in the year to March 1995 had doubled to £601,000. This included a performance-related bonus of £293,000.

The group's rescue plan was prepared by Mr Archie Coulson, a director of Postern, the corporate doctors, who was called in after the group had breached its bank covenants with debts of £47.5m and gearing of 230 per cent.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Argos	24 wks to June 15	561.3	(474.7)	31.8	(21.8)	7.06	(4.82)	5.3	Nov 11	4	-	13⁂
Hibernian ‡	6 mths to June 30	146.2□	(143.6□)	13	(19.2)	17.2	(23.8)	3.1	Oct 14	2.8	-	8.9
Page (Michael)	6 mths to June 30	67.6	(48.4)	14	(7.86)	14.28	(8.21)	2	Nov 11	1.1	-	5
Taylor Nelson AGB	6 mths to June 30	42.4	(37.8)	4	(3.56)	1.23†	(1.11)	0.39	Dec 20	0.35	-	0.7
Upland	6 mths to June 30	30.2	(18.1)	3.21♥	(0.919♠)	6.59	(3.5)	2.8	Jan 7	nil	-	3.5
Wace	6 mths to June 30	167.1	(159.3)	4.21♠	(10♠)	1.4	(7.3)	1.85	Oct 14	1.85	-	5.85
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Alliance	6 mths to July 31	£24.34	(£21.58)	16	(15.8)	31.7	(31.37)	17	Oct 4	16	-	53
Herald	6 mths to June 30	160.89	(104.55)	0.467	(0.29)	0.84	(0.45)	-	-	-	-	0.85
Syndicate Capital	Yr to June 30 ★	108.2	(95.3)	1.03	(1.21)	3.19	(3.74)	1.75	Oct 4	1.75	2.75	2.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ⁂Excludes 42p special. ‡Irish currency. □Gross premiums. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated.

هكذا من الأصل

INTERNATIONAL PEOPLE

Hong Kong war chest falls to Yip

Amy Yip York-tak (left), who is to be the first local resident to head the reserves management department of the Hong Kong Monetary Authority, will find herself responsible for one of the world's biggest treasure chests when she takes up her new the post in October.

Hong Kong's reserves topped US$60bn at the end of June, and are its main weapon in the event of a run on the Hong Kong dollar – a possibility anticipated by some bankers in the run-up to, or in the wake of, the handover of sovereignty to China next July. Yip brings to the HKMA, the nearest thing Hong Kong has to a central bank, a blend of investment expertise, and private sector experience. She replaces John Nugee, who returns to the Bank of England after a four-year secondment.

Yip has trodden the classic Hong Kong path to success, completing her schooling in the territory with an overseas college education. Like many of her peers in the banking industry, overseas meant the US: she received her MBA degree from Harvard Business School.

She subsequently joined JP Morgan, where she spent eight years before moving to Rothschild Asset Management in 1988. She went to Citibank in 1991 as business manager, and for the past six months has served as planning director of Citibank Private Bank, Asia Pacific. *Louise Lucas*

Sprint Spectrum

Andy Sukawaty, the chief executive of NTL, the British broadcast and telecommunications services company, is to take over next month as chief executive of Sprint Spectrum, a $4.2bn joint venture between Sprint and three large American cable and media companies – TCI, Comcast and Cox Communications. Its previous head, Ronald LeMay, has returned to Sprint as president and chief operating officer.

Sukawaty, who has been with NTL since 1994, will be joining the operation, based in Kansas City, Missouri, as it builds a national digital personal communications network in the US.

Sukawaty is credited with developing a clear long-term strategy for NTL, formerly an arm of the UK's Independent Broadcasting Authority. He previously spent 11 years in the mobile telephone business with Mercury One 2 One, US West and AT&T.

By leaving NTL now, he will miss the excitement surrounding the privatisation of the BBC transmitter network, where his old employer's bid faces stiff competition. But for Sukawaty, the opportunity to lead what he believes is potentially the largest mobile phone operator in the US "could not be passed up". *Raymond Snoddy*

Polish insurance

Jan Monkiewicz, the newly appointed head of the state-owned PZU, Poland's largest insurer with 60 per cent market share, is no stranger to controversy, even though his natural preference is to stay in the background.

That will be difficult for the time being. His appointment has sparked the resignation of a majority of the board, up in arms over the dismissal of Roman Fulneczek, his predecessor.

Monkiewicz comes to the post from the cabinet office, where he was an influential adviser to Grzegorz Kolodko, the finance minister. While there, the 47-year-old former academic sought to push through a controversial merger plan for state banks, a move the banks fiercely opposed.

Meanwhile, Fulneczek's plans for the privatisation of PZU – which were to have seen a 25 per cent stake sold to domestic investors this year – have already been delayed. Further tranches were destined for employees and foreign investors in subsequent years.

Most important, perhaps, in this latest move is that Monkiewicz himself showed little ardour for transferring financial institutions from state control when advising Kolodko. The delay in privatising PZU may thus last a while longer. *Christopher Bobinski*

ABB's man in China

Rolf Schaumann, 53, a German, is moving to Beijing to head the fast-growing Chinese operations of ABB, the international electrical engineering giant. Schaumann, ABB's global business manager – medium voltage equipment, replaces Howard Pierce, 55, an American and former Westinghouse executive, who had been running ABB's China operations since August 1994.

China is one of the fastest-growing parts of ABB, whose strategy is to maintain its growth by transferring a growing proportion of its traditional manufacturing business out of Western Europe and into low-cost countries. Its Chinese business did not start to take off until 1992, but under Pierce it has more than doubled its local workforce to 3,500, making it ABB's third largest far eastern operation after India and Australia.

Pierce's time running ABB China was cut short by the untimely death of Robert Donovan, head of ABB Americas region. Donovan was killed in an air crash in Croatia earlier this year; Pierce replaced him, and was given a seat on ABB's group executive committee. East African-born Andrew Eriksson, 50, who currently heads ABB's gas-insulated switchgear business, replaces Schaumann as global business manager of ABB's $1bn-a-year medium-voltage equipment business. *William Hall*

ON THE MOVE

■ Ahmad Tajuddin Ali, director general of Sirim, a government-owned research institute, takes over as chief executive of Malaysian power company TENAGA, following a national power blackout earlier this month.

Tun Daim Zainuddin, economic adviser to the government, said the decision not to extend Ani Arope's contract as the head of the company was unrelated to the August 3 national blackout.

■ Gumpei Yokoi, 55, who is credited as head of NINTENDO's product development team with having given the world the Game Boy hand-held video game machine, has left the company to work as an independent consultant.

■ Poul Andreassen has left the board of ISS, the Danish international services group he founded, after the company announced a first-half loss of DKr2.03 bn ($350m). Andreassen ran ISS for 34 years; he retired as chairman in 1995 but retained a seat on the board.

■ Australian born Peter Thompson, who has been with PepsiCo since 1994, rises to president and chief operating officer of PEPSI-COLA Company, the $3.6bn-turnover worldwide beverage division PepsiCo Inc. In this newly created position he will have responsibility for the company's operations in more than 190 countries outside the US and Canada. Thompson, who had an earlier stint at PepsiCo in the 1980s, previously spent 10 years with Grand Metropolitan of the UK. Brenda Barnes continues as president and chief executive of Pepsi-Cola Company, north America.

■ Gavin Whyte, a 25-year veteran with FIRESTONE New Zealand, becomes export manager with a remit to seek new export market opportunities.

■ Bernd Menzinger, former Danzas chief executive, joins the board of international freight forwarder KUEHNE & NAGEL.

■ Kamarudin Jaffar and Cheong Kow join the board of WING TIEK HOLDINGS in Malaysia.

■ John Murtagh, formerly with Scott Paper, has been appointed to the new position of chief administrative officer at SAMSONITE CORPORATION.

■ Jean Pierre Ouellet has been appointed chief legal officer for CANADIAN NATIONAL RAILWAY, with rail operating revenues of C$4.1bn.

■ Trevor Schultz is resigning as chief operating officer of PEGASUS GOLD, the north American gold mining company. James Geyer, vice-president of operations, will take on some additional responsibilities.

■ Mohamed Shafie has been appointed deputy chairman of BANK ISLAM MALAYSIA.

■ Konrad Alt has resigned as chief of staff at the US office of the comptroller of the currency, with effect from October 7. He becomes senior vice-president for corporate strategy planning at WORLD SAVINGS AND LOAN ASSOCIATION.

■ Norman Spector has been appointed to the new position of vice-president, corporate affairs at Canada's IMPERIAL TOBACCO. He was previously chief of staff to the Canadian prime minister.

■ Ira Goldstein has been appointed to the new position of company Internet technology officer for HEWLETT-PACKARD.

■ Phillip Samper, former chairman and chief executive of Cray Research, joins the board of SCITEX CORP. He was previously president and chief executive of Sun Microsystems, and has also worked for Eastman Kodak.

■ Gus Kolias becomes vice-president of global customer strategy at COMPAQ COMPUTER. In this newly created position he will handle the company's largest global customers. Earl Thomas Carothers succeeds him as vice-president of customer service.

■ AGCO, the agricultural machinery maker, has appointed three presidents within its new divisional structure. They are Allen Ritchie – corporate finance; John Shumejda – corporate operations and technology; and James Seaver – sales and marketing.

■ Matthew Elderfield has been appointed the International Swaps and Derivatives Association's (ISDA) first director of European policy and manager of its new London office, with effect from October 30.

■ Uwe Sommer has replaced managing director Eckhard Musahl at LINDT & SPRUENGLI of Aachen, which belongs to the Swiss chocolate manufacturer.

■ Michael Gersie becomes chief financial officer of The PRINCIPAL FINANCIAL GROUP.

■ John Auston has been appointed president and chief executive of ASHTON MINING OF CANADA, following David Hurburgh's return to Australia earlier this month to head up Ashton Mining's business development group.

■ MCA has appointed Clifford Friedman as senior vice-president of its universal new media group, with responsibility for strategic planning and development. Friedman, who joined MCA in February, was previously with NBC.

■ Gerard Gerold has resigned as chairman of Compagnie Française de Navigation Rhenane, in which the state has a 75 per cent stake, and which began to be privatised in July.

■ Senator Hubert Haenel replaces former transport minister Louis Besson on the board of French national railway operator SNCF.

■ Tim Crammond, chairman and former chief executive of BZW Australia, joins the principal board of Australian MUTUAL PROVIDENT SOCIETY (AMP).

■ Robert Hersov has been appointed chief executive of Italian pay-television operator TELEPIU. He will continue to serve as an executive director of NetHold.

■ Mark Snell has been appointed chief financial officer of DAMES & MOORE, a professional services company. He succeeds Robert Perry, who will resume his position as executive vice-president, corporate affairs.

■ Dave Richardson, 48, becomes president of TEXAS INSTRUMENTS in Europe. He replaces John Scarisbrick, who becomes worldwide manager of TI's applications specific products business.

■ Adam Stranak has replaced Zdenek Chalupnik as chairman of AERO VODOCHODY, the troubled Czech defence company, which also has a new five-member board of directors.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 20.08.96: Pool purchase price £/MWh	Final Prices for Trading on 21.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	14.89	18.82	18.27
[illegible]	14.89	9.73	11.38
0130	14.89	9.73	11.38
0200	14.89	9.73	11.38
0230	9.49	9.73	11.38
0300	[illegible]	9.73	11.38
0330	9.49	9.00	9.00
0400	9.49	9.00	9.00
[illegible]	9.49	9.00	9.00
0500	9.49	9.00	9.00
[illegible]	9.12	9.00	9.00
0600	9.12	9.00	9.00
0630	9.12	9.00	9.00
0700	12.84	12.32	13.97
0730	12.95	16.42	18.09
0800	17.15	16.38	18.27
0830	23.61	17.89	19.83
0900	37.31	19.41	21.56
0930	65.88	23.61	26.11
1000	74.73	34.00	36.76
1030	[illegible]	34.83	37.50
1100	70.05	35.38	38.31
1130	108.31	42.48	45.71
1200	112.74	[illegible]	47.24
1230	108.45	43.49	46.82
[illegible]	84.84	41.47	44.44
1330	59.53	24.21	26.73
1400	52.48	22.89	24.94
1430	47.77	22.13	24.29
1500	[illegible]	19.56	21.69
1530	44.18	19.43	21.57
1600	49.20	19.47	21.60
1630	70.98	19.79	21.98
1700	89.97	19.89	22.10
1730	78.67	19.29	21.37
1800	40.90	18.31	20.18
1830	23.85	17.38	19.28
1900	17.87	[illegible]	18.53
1930	16.47	16.84	18.50
2000	16.10	16.84	18.49
2030	16.30	16.84	18.49
2100	23.49	9.07	9.07
2130	23.58	16.84	18.49
2200	23.18	31.47	33.13
2230	22.30	31.47	33.13
2300	22.18	23.67	23.32
2330	[illegible]	16.44	18.10
2400	[illegible]	16.44	18.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.80/MWh becomes 1.980p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 [illegible] between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

Bunds outperform Europe in quiet trading

By Samer Iskandar in London and Richard Tomkins in New York

Bunds outperformed most European markets yesterday, in a quiet session. Although hopes for a cut in the German repo rate were still high, they provided less support than last week.

Ms Sharda Persaud, European economist at San Paolo Bank in London, is confident the Bundesbank will ease the repo rate on Thursday. "[The Bundesbank] would like to see a lower D-Mark", which would fuel economic recovery, she said. Although the absence of a cut could disappoint traders, Ms Persaud said it would not necessarily cause a significant sell-off. "A cut is now taken for granted ... Even if it does not happen this week, traders know it is only a matter of time," she said.

■ Liffe's September BTP future settled at 115.98, down 0.77, while in the cash market the 10-year Italian benchmark bond lost 0.67 to 101.22, its yield spread over the equivalent bund widening by 9 basis points to 326 points.

Mr Graham McDevitt, bond strategist at Paribas Capital Markets, said the rise in yields was caused by the lira's weakening on the foreign exchange market. He added that BTPs could be supported by producer price data for June, due to be released today.

"If the data show a decline in inflationary pressures, the short end of the BTP yield curve could rally," Mr McDevitt said, but he is less bullish on longer maturities and considers most of the positive news is already priced into the Italian market.

"As the budget announcement [for 1997] approaches, we could see some profit taking," he said, recommending a switch into bunds when the 10-year spread reaches the 310 basis point area.

■ Although French bonds rose in absolute terms, they lost ground relative to bunds. Matif's September

GOVERNMENT BONDS

notional contract closed at 123.70, up 0.16, but in the cash market the 10-year yield spread over bunds widened by 2 basis points to 8 points, as the franc weakened on fears of rising political uncertainty.

"The government is walking on a knife-edge," one trader said, referring to the forthcoming budget presentation. "They need to show restraint on the spending side ... But if they go too far they risk driving the unions on to the streets."

The CGT union yesterday stepped up the pressure, saying "the workers will not accept the consequences of the government's policies".

The September future on three-month Pibor rates closed 0.03 lower at 95.77. Futures traders in Paris attributed the fall to heavy selling by a large US financial institution.

■ UK gilts ended a subdued trading session slightly lower. Liffe's September long gilt future settled at 108⅛, down $\frac{2}{32}$. In the cash market, the 10-year benchmark gilt, the 7¾ per cent stock due 2006, lost $\frac{3}{32}$ at 108⅓.

"This week, the market will be driven by potential interest rate moves in the US and Germany," said Mr Kevin Adams, gilt strategist at BZW. Traders are not expecting the US Federal Reserve to tighten monetary policy at today's FOMC meeting, but Mr Adams said there is "suspicion [in the market] of a 25 basis point rise, should the Fed choose to avoid having to tighten monetary policy nearer the election [in November]".

Gilt market participants are also awaiting the release tomorrow of retail sales data. "The market is expecting a flat figure, or a very small rise. If the rise is too strong, it could cause gilts to retreat," Mr Adams said.

■ US Treasuries unexpectedly dipped in early trading, wiping out much of the progress made on Friday. At midday, the benchmark 30-year long bond was down $\frac{15}{32}$ at $99\frac{11}{32}$, yielding 6.797 per cent. Shorter-dated issues suffered less badly: the two-year note was down ⅛ at 100⅛, yielding 5.954 per cent.

The fall surprised analysts because the calendar of economic data was blank and little action had been expected ahead of today's meeting of the Federal Open Market Committee. Traders said prices fell because of a spate of hedge fund and central bank selling, forcing them to enter the market on a day when they had expected to sit on the sidelines. Even so, volumes were light.

The main focus of attention remains the meeting of the FOMC, at which the Fed will consider whether interest rates need to rise in response to recent signs of strength in the US economy. Most analysts believe there have been enough indications of a second-half slowdown for the Fed to leave rates unchanged.

CME starts to plot strategy for euro contracts

By Laurie Morse in Chicago

The Chicago Mercantile Exchange has set up a high-level committee to plot its strategy for trading futures and options on the euro, the currency to be created by European monetary union.

DERIVATIVE INSTRUMENTS

Volume in the exchange's traditional currency products, including D-Mark futures and options, is lagging behind that of its rivals and its leadership is seeking radical new ways to increase business.

Some CME members believe it should reach beyond its own boundaries and share currency futures trading with exchange partners in Europe and Asia.

Specifically, there has been talk of a link between the CME and the Matif in Paris, while Asia would be covered by adding currency futures to the CME's existing mutual offset link with Simex in Singapore.

The CME and Simex currently share trading in identical eurodollar and euroyen futures. The Matif recently abandoned a project to share products electronically with the DTB in Germany, leaving it open to new partners.

At the same time, the CME was released this year from a contractual arrangement with Reuters, the information company, that had prevented it from pursuing exchange links and other floor-trading partnerships.

Reuters owns Globex, an electronic futures trading system that the CME helped develop, which lists Matif and CME products for after-hours trading. Analysts note the two exchanges are "available" and their long co-operation on Globex leaves them well prepared for other product-sharing arrangements.

Such a link would make sense, said Mr Alex Lamb, general manager of the Chicago office of Fimat, the futures-trading arm of Société Générale, the French bank. "It would be very interesting if the CME had the CAC-40 index and the Notional [in exchange for sharing currency futures with Matif]."

Although all leading futures exchanges have some kind of computerised after-hours trading facility, most are also forging links with exchanges in other time zones to increase business.

However, in spite of a spate of agreements, wide differences in regulatory and technical environments around the world make it difficult to bring links into operation.

The Chicago Board of Trade and London's Liffe were set to share government bond futures contracts this year, but have delayed the link until May 1997, citing technical difficulties.

Mr William Brodsky, CME president, said "there are a number of things going on" with regard to euro trading, but declined to elaborate.

As for the exchange's existing currency futures products, Mr Brodsky said the CME was committed to using Globex to increase after-hours volume.

The exchange, frustrated by the lack of liquidity in the overnight currency futures markets, has also decided to take undertake some foreign exchange trading of its own.

Strong demand for $1bn 10-year global from Canada

By Conner Middelmann

Hard on the heels of the World Bank's successful 10-year dollar offering last week, Canada yesterday tapped the 10-year sector to a similarly enthusiastic reception.

Its $1bn global issue of 6.75 per cent bonds saw such strong demand during premarketing that the pricing, at a spread of 29 basis points over Treasuries, was seen as surprisingly generous. As soon as the bonds were freed to trade, the spread tightened to 28 basis points.

"Canada left a basis point on the table to ensure that the deal goes well and investors will want to participate in future transactions," said a syndicate manager at Morgan Stanley, joint book-runner with Goldman Sachs and ScotiaMcLeod. He said the deal was evenly placed among investors in Asia, Europe and North America.

The strong performance of the World Bank's recent deal, whose yield premium over Treasuries tightened to around 16.5 basis points from its 18-basis-point launch spread, helped whet

INTERNATIONAL BONDS

investor appetite for Canada's issue, especially as the latter offers a substantial yield pick-up.

"Nothing snaps the market to attention as much as a successful World Bank issue," said a dealer at another house.

Interestingly, the yield gap between the World Bank and Canada has shrunk noticeably over the last year: both launched 10-year dollar globals in mid-July last year, with Canada paying 36 basis points over Treasuries and the World Bank paying a 20 basis-point spread.

The 16-point gap has now narrowed to 11 basis points, as Canada's credit perception has improved. "Canada now trades at the wide end of the triple-A band, rather than the double-A range," a dealer said. "Investors have been reassessing Canada's credit – the market is typically ahead of the rating agencies."

The dearth of long-dated dollar paper in recent months has also fuelled demand, especially since 10-year bonds offer a pick-up of about 25 basis points over five-year paper.

"That extra kick makes it worth taking the risk of going out further along the yield curve," one dealer said.

Other borrowers rumoured to be planning 10-year issues are Fannie Mae, the Province of Ontario, and the Tennessee Valley Authority.

The South African rand's fall to new lows cast clouds over its planned return to the D-Mark sector. The rand fell to R4.58 against the dollar, from R4.55 on Friday and its year's high of R3.62 in January.

However, Deutsche Morgan Grenfell and Morgan Stanley, joint book-runners of the forthcoming deal, said the rarity value of the bonds – the republic's first issue since 1991 – and a traditional base of Continental European retail investors, should ensure a strong reception.

The issue is expected to total DM300m to DM500m of five-year to seven-year bonds, with dealers talking of a yield spread of 120 to 150 basis points over bunds. Investor roadshows will take place in the week of September 9 and the deal is due to be launched in the following week.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Canada	1bn	6.75#	99.113R	Aug 2006	0.325R	+29(7%-06)	Goldman/M Stanley/Scotia
■ D-MARKS							
LW Rentenbank(a)	250	5.00	99.75R	Dec 2000	0.225R	+9(5¼%-00)	ABN Amro Hoare Govett
Kookmin Bank‡	150	(a)	100.05	Oct 1999	0.20	-	WestLB
■ SWISS FRANCS							
Great Belt	150	4.25	102.65	Sep 2004	2.625	-	Credit Suisse
■ GUILDERS							
Bayerische Hypo	250	5.375	99.45R	Oct 2001	0.30R	+21(6¼%-01)	Rabobank International
■ NEW ZEALAND DOLLARS							
Province of Manitoba(s)	100	8.25	100.63	Mar 1998	1.25	-	Toronto-Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +30bp. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.3580	+0.459	8.00	8.09	8.85
Austria		6.250	05/06	95.1300	-0.070	6.27	6.30	6.59
Belgium		7.000	05/06	102.8800	+0.390	6.58	6.63	6.67
Canada *		7.000	12/06	97.9100	+0.010	7.29	7.23	7.91
Denmark		8.000	03/06	105.2200	-0.220	7.21	7.34	7.44
France	BTAN	5.500	10/01	99.5000	+0.090	5.61	5.46	5.71
	OAT	7.250	04/06	106.4700	+0.170	6.33	6.36	6.58
Germany Bund		6.250	04/06	99.9300	-0.100	6.25	6.29	6.60
Ireland		8.000	08/06	103.2700	-0.050	7.52	7.60	7.70
Italy		9.500	02/06	101.2200	-0.670	9.30†	9.33	9.14
Japan	No 140	6.600	06/01	119.3959	-0.240	2.16	2.17	2.31
	No 182	3.000	09/05	99.2219	+0.245	3.11	3.19	3.30
Netherlands		8.500	06/06	110.2300	-0.090	6.23	6.27	6.54
Portugal		11.875	02/05	118.4700	+0.070	8.69	8.69	8.72
Spain		8.800	04/06	99.1400	-0.590	8.91	8.94	8.90
Sweden		6.000	02/05	87.6570	-0.270	8.05	8.24	8.36
UK Gilts		8.000	12/00	103-19	-2/32	7.01	7.08	7.20
		7.500	12/06	98-03	-1/32	7.77	7.79	7.94
		9.000	10/08	108-16	-5/32	7.90	7.91	8.06
US Treasury *		7.000	07/06	103-00	-3/32	6.55	6.45	7.06
		6.750	08/26	99-13	-7/32	6.80	6.70	7.19
ECU (French Govt)		7.500	04/05	104.7100	+0.190	5.76	6.81	7.04

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.97
Prime rate	8¼	Two month	-	Three year	6.15
Broker loan rate	7	Three month	5.17	Five year	6.34
Fed funds	5¼	Six month	5.33	10-year	6.59
Fed funds at intervention	-	One year	5.63	30-year	6.80

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.86	123.70	+0.16	123.90	123.66	37,031	185,479
Dec	122.56	122.40	+0.16	122.66	122.40	2,496	38,975
Mar	122.56	122.24	+0.14	122.50	122.30	1,059	7,709

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	-	-	-
121	-	-	-	0.02	0.24	-
122	1.74	0.90	1.38	0.03	-	-
123	0.82	0.40	0.93	0.12	-	-
124	0.15	-	0.51	0.45	-	-

Est. vol. total, Calls 10,867 Puts 6,367. Previous day's open int. Calls 136,479 Puts 149,265

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.29	98.08	-0.09	98.29	98.05	97750	245010
Dec	97.38	97.22	[illegible]	97.38	97.20	17325	21258

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9800	0.20	0.21	0.44	0.63	0.12	0.99	1.22	1.41
9850	0.04	0.10	0.28	0.45	0.46	1.35	1.57	1.74
9900	0.01	0.05	0.19	0.33	0.93	1.82	1.97	2.11

Est. vol. total, Calls 11256 Puts 14284. Previous day's open int., Calls 172646 Puts 187634

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.75	115.98	-0.77	116.75	115.81	39878	61800
Dec	115.65	115.30	-0.75	115.65	115.26	2839	6093

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11550	0.64	1.70	0.16	1.90
11600	0.31	1.45	0.33	2.15
11650	0.16	1.22	0.68	2.42

Est. vol. total, Calls 7768 Puts 13898. Previous day's open int., Calls 88298 Puts 107422

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.10	100.98	-0.62	101.10	100.33	40,107	52,946
Dec	100.30	100.53	-0.67	100.30	99.86	158	2,970

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-09	108-04	-0-04	108-09	108-02	26795	151635
Dec	107-15	107-11	-0-06	107-15	107-11	4042	2975

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
108	0-21	0-34	0-56	1-09	0-13	1-12	1-34	1-51
109	0-02	0-15	0-33	0-49	0-58	1-57	2-11	2-27
110	0	0-06	0-17	0-31	1-56	2-48	2-59	3-09

Est. vol. total, Calls 1798 Puts 703. Previous day's open int., Calls 34365 Puts 29695

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	92.48	92.20	+0.18	92.48	92.18	1,357	7,728
Dec	90.38	90.38	+0.18	90.38	90.38	485	1,007

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	111-09	110-30	-0-11	111-13	110-26	191,294	438,470
Dec	110-26	110-14	-0-11	110-28	110-10	4,165	31,456
Mar	110-10	110-09	-	110-10	110-10	8	4,282

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	120.87			121.00	120.80	3521	na
Dec	119.51			119.71	119.51	1347	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Aug 19	Day's change %	Fri Aug 16	Accrued interest	xd adj. ytd		Low coupon yield Aug 19	Aug 16	Yr. ago	Medium coupon yield Aug 19	Aug 16	Yr. ago	High coupon yield Aug 19	Aug 16	Yr. ago
1 Up to 5 years (22)	122.14	0.02	122.11	2.48	6.17	5 yrs	7.14	7.14	7.76	7.20	7.19	7.77	7.27	7.26	7.87
2 5-15 years (20)	146.35	-0.02	146.38	2.70	6.63	15 yrs	7.99	7.98	8.20	8.00	7.99	8.23	8.05	8.04	8.34
3 Over 15 years (8)	162.09	-0.06	162.19	2.14	6.73	20 yrs	8.09	8.08	8.23	8.09	8.06	8.26	8.13	8.12	8.36
4 Irredeemables (6)	186.67	-0.08	186.81	3.21	7.36	Irred.†	8.15	8.14	8.31						
5 All stocks (56)	142.94	-0.01	142.96	2.58	6.96										

Index-linked							Inflation 5% Aug 19	Aug 16	Yr. ago	Inflation 10% Aug 19	Aug 16	Yr. ago
6 Up to 5 years (1)	199.84	0.02	199.80	2.81	4.45	Up to 5 yrs	2.06	2.05	2.89	0.88	0.88	0.96
7 Over 5 years (11)	189.53	0.07	189.39	0.92	3.45	Over 5 yrs	3.64	3.65	3.57	3.42	3.42	3.36
8 All stocks (12)	189.68	0.07	189.60	0.96	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	Yr ago	High*	Low*
Govt. Secs. (UK)	93.41	93.43	93.11	93.19	93.66	93.35	96.34	91.59
Fixed Interest	113.76	113.82	113.39	113.43	113.59	111.83	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12
Gilt Edged bargains	74.6	72.2	75.0	81.5	67.9
5-day average	74.2	74.9	78.2	75.6	75.3

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 19

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98	98⅛	-⅛	6.87
ABN Amro Bank 7¼ 05	1000	100⅞	101	-⅛	7.28
African Dev Bk 7¾ 23	500	97¾	98¼	-⅛	7.87
Alberta Province 7⅜ 98	1000	102⅛	102⅞		6.24
Asian Dev Bank 6¼ 05	750	98¼	98⅞		6.92
Swedish 8 97	2500	105⅛	105⅛	+⅛	3.55
United Kingdom 7¼ 97	5500	104⅛	104⅛		3.61
Volkswagen Intl Fin 7 03	1000	104⅛	104½	+¼	6.18
World Bank 0 15	2000	32¼	32½	+1	6.05
World Bank 5⅞ 03	3000	100⅛	100¼		5.85
Abbey Natl Treasury 8 03 £	1000	101⅞	101⅞	+⅛	7.76
British Land 8⅞ 23 £	150	91⅞	92		10.00
Denmark 6¾ 98 £	800	100¼	100½		6.61
Depfa Finance 7⅛ 03 £	500	98	98¼		7.85
EIB 8 03 £	1000	102	102⅛		7.60

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Policy meetings keep currency markets quiet

By Richard Adams

With two important policy-making meetings on the near horizon, yesterday's markets were quiet on light volume, awaiting events in Washington and Frankfurt.

Today sees the start of the Federal Open Markets Committee meeting, while Thursday will be the Bundesbank central committee's meeting.

A Reuter poll of 30 economists was unanimous in favour of no change in policy at the FOMC meeting, while analysts are divided over whether the Bundesbank will cut its repurchase rate or not, and by how much.

Yesterday the D-Mark gained a little ground against the dollar, ending trading in London at DM1.488, from DM1.494 on Friday. The French franc remained fragile, slipping to FFr3.420 per mark from Friday's FFr3.417.

Elsewhere, analysts say the dollar is finding it hard to move above Y108. Yesterday it ended at Y107.950 after trading in narrow ranges all day, little changed from Friday's Y107.890.

The Australian dollar rose on expectations for tough spending cuts in today's budget, despite rioting outside the federal parliament in Canberra yesterday. It closed up on the US dollar in London, at A$1.2658, having been A$1.2752 on Friday.

The South African rand slipped further against the US dollar yesterday, ending at R4.5655, from the previous price of R4.5525. In New York, it slipped to a record low of R4.5870 in intra-day trading.

But while many analysts feel the rand is undervalued after its rapid fall against the dollar, a new study says it may be overvalued.

■ Analysts are warning that the market could be disappointed if they are expecting a big cut in the Bundesbank's 3.30 per cent repo rate. Most are predicting a cut of around 0.10 to 0.15 percentage point, or 10-15 basis points, in the rate.

Key to market expectations will be the German M3 money supply figures, due this week, and the July business climate index from Germany's Ifo institute, to be released on Wednesday.

Economists are expecting July M3 growth to have slowed to 8.8 per cent from 9.6 in June, while the Ifo index is seen edging up to 91.0 from June's three-month low of 90.4.

■ The yen was quiet against the dollar, after news that its trade surplus declined 37.7 per cent last month, despite a rise in car exports.

The decline in the trade surplus, the twentieth consecutive monthly fall, to Y504bn showed continuing import growth. Exports rose 17.4 per cent and imports rose 35.6 per cent.

Japan's trade surplus with the US fell 4.5 per cent to Y316.7bn. The small decline in the bilateral surplus had little impact.

■ The Australian dollar hit a three week high against the US dollar, through a combination of budget optimism and demand for dual-currency bonds, denominated in yen and Australian dollars.

Japanese buying of dual currency samurai bonds of up to A$500m gave the domestic market a boost, helped by anticipation of a deficit-cutting budget.

Today's budget package is expected to outline A$8bn of spending cuts over two years, equivalent to about two per cent of GDP.

The vast majority of the deficit reduction would come from spending cuts, as the government has ruled out tax increases.

■ The South African rand may be overvalued by 12 per cent against the dollar, despite its recent falls, according to a new study by Ivor Jones, Roy & Co and Deutsche Morgan Grenfell.

Its conclusion, which runs against many analysts' belief that the rand is undervalued, is based on a composite rand index, incorporating the historical characteristics of the commercial rand and the financial rand, which was abolished last year.

The study is based on the premise that South Africa's central bank is running out of ammunition to defend the rand. A further premise is that the currency volatility this year was a result of swings in net foreign purchases of South African bonds.

■ Pound in New York

Aug 19	—Latest—	—Prev. close—
£ spot	1.5445	1.5480
1 mth	1.5440	[illegible]
3 mth	1.5435	1.5470
1 yr	1.5425	1.5460

■ OTHER CURRENCIES

Aug 19	£	$
Czech Rp	41.1743 - 41.2318	26.6500 - 26.6700
Hungary	233.171 - 233.400	150.920 - 150.970
Iran	4638.00 - 4635.00	3000.00 - 3000.00
Kuwait	0.4625 - 0.4635	0.2994 - 0.2998
Poland	4.2256 - 4.2329	2.7350 - 2.7360
Russia	8164.67 - 8204.62	5284.00 - 5307.00
U.A.E.	5.6742 - 5.6786	3.6725 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1880	-0.0363	789 - 951	16.2718	16.1574	16.1547	2.5	16.0798	2.6	-	-	105.3
Belgium	(BFr)	47.3843	-0.2569	573 - 112	47.5610	47.3400	47.2893	2.4	47.0993	2.4	46.3093	2.3	107.3
Denmark	(DKr)	8.8913	-0.0494	861 - 965	8.9397	8.8830	8.8775	1.9	8.8572	1.5	8.7494	1.6	107.9
Finland	(FM)	6.9131	-0.0214	051 - 211	6.9510	6.9030	6.9087	0.8	6.9006	0.7	-	-	86.0
France	(FFr)	7.8676	-0.0326	641 - 710	7.9123	7.8570	7.8554	1.9	7.8327	1.8	7.7369	1.6	108.7
Germany	(DM)	2.3000	-0.0124	988 - 012	2.3137	2.2955	2.2965	2.2	2.2865	2.3	2.2577	2.3	109.3

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4730	-0.0368	705 - 755	10.5115	10.4545	10.4535	2.2	10.4115	2.3	10.228	2.3	105.1
Belgium	(BFr)	30.6595	-0.1105	520 - 670	30.7770	30.6350	30.6045	2.2	30.4895	2.2	29.9495	2.3	106.8
Denmark	(DKr)	5.7530	-0.0215	515 - 545	5.7750	5.7488	5.7455	1.6	5.7285	1.7	5.6595	1.6	107.0
Finland	(FM)	4.4731	-0.0057	723 - 739	4.4960	4.4655	4.4666	1.7	4.4546	1.7	4.4001	1.4	85.3
France	(FFr)	5.0906	-0.0119	900 - 912	5.1090	5.0858	5.0837	1.8	5.0694	1.7	5.0016	1.7	108.1
Germany	(DM)	1.4882	[illegible]	[illegible]	1.4940	1.4857	1.4857	2.0	1.4799	2.2	1.4517	2.5	108.5

SDR rate per $ for Aug 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.62	95.59	-0.04	95.62	95.58	1932	9282
Dec	95.62	95.62	-0.03	95.62	95.60	690	8158
Mar	95.54	95.51	-0.03	95.54	95.49	437	3107
Jun	95.35	95.34	-0.03	95.35	95.32	78	2084

* LIFFE futures also traded on APT

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.21	94.22	+0.02	94.22	94.20	4556	59427
Dec	94.16	94.17	+0.02	94.19	94.15	6778	110675
Mar	93.95	93.95	+0.02	93.97	93.93	3663	76588
Jun	93.59	93.59	+0.02	93.59	93.57	1336	51495
Sep	93.21	93.20	+0.01	93.21	93.19	655	34522

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.22	0.26	0.25	0	0.09	0.30
9425	0.04	0.11	0.15	0.07	0.19	0.45
9450	0	0.04	0.08	0.28	0.37	0.63

Est. vol. total, Calls 5675 Puts 3047. Previous day's open int., Calls 144440 Puts 138985

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	6.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	5.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	● Members of London Investment Banking Association	
The Co-operative Bank	5.75	Lloyds Bank	5.75	* In administration	
Coutts & Co	5.75	Meghraj Bank Ltd	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

US rains send Chicago grain markets lower

By Laurie Morse in Chicago

Grain traders were again revising their outlook for US feedgrain crops yesterday after soaking rains moved through central areas of the US over the weekend, delivering much-needed moisture to soyabean and maize fields.

Attention at the Chicago Board of Trade, where a full-colour digital weather map dominates the grain trading room, has recently been focused on the soyabean crop, which is in the critical flowering stage. The rains were thought to have improved crop prospects to such an extent that traders pushed soyabean futures prices down more than 18 cents a bushel at the opening.

Maize prices also plunged, though the rain-induced falls were limited by forecasts for cooler-than-normal across the grain belt next week.

Wheat futures prices had moved higher by midday, in part because one meteorologist suggested a premature frost could hit Canada's vast wheat-growing prairies next week.

The weather, always a factor during the growing season, has been a much more critical factor this year, as importing countries, livestock producers, and food processors have looked to the new harvest to replenish historically low global grain stocks. Last week, the US Department of Agriculture shocked traders by saying the US maize harvest would fall short of industry estimates, and would be less than 9bn bushels.

Now, with adequate moisture, "the general feeling around here is that the USDA will revise its corn [maize] production estimate higher", said Mr Vic Lespinasse, a floor trader for Dean Witter Reynolds. Despite the rainfall, however, traders believe the government's soyabean harvest estimate, at 2.3bn bushels, is over optimistic. The USDA issues its next grain crop production estimates September 11.

Japanese to join Chilean group in copper search

By Kenneth Gooding, Mining Correspondent

Japan, one of the world's biggest copper consumers, is to explore for the metal in Chile in co-operation with Codelco, the world's biggest producer.

The state-owned Chilean mining and metals group is linking up with the Metal Mining Agency of Japan and the Japan International Co-operation Agency to undertake a three-year project to explore for porphyry copper deposits in the Pastos Largos area.

This covers about 80 square kilometres and is located about 1,300km north of Santiago.

MMAJ pointed out that it had developed exploration techniques for epithermal gold deposits through work in Japan while Codelco had a successful track record exploring for porphyry copper.

So "our joining forces should contribute to a better understanding of the geology and mineral resources of the Pastos Largos area".

Japan has seven other technical co-operation arrangements in Chile, the world's biggest copper producing country with an output of 2.506bn tonnes last year and from which Japan imports about one third of its annual copper requirements.

However, this is the first agreement with Codelco, which is responsible for about half of Chile's copper production. Until 1992, however, Codelco was not permitted to bring in joint venture partners.

Indian tea crop up despite cyclones

By Kunal Bose in Calcutta

India's tea harvest in the first half of this year was 8 per cent higher than in the corresponding 1995 period at 265.091m kg.

The yield would have been still higher but for setbacks caused by cyclonic conditions in Tamil Nadu and Kerala, the two most important tea growing centres in the south of the country.

According to the Indian Tea Board, Tamil Nadu's output in June was down to 10.338m kg from 12.294m in the same month last year. At 4.786m kg, the shortfall in production in Kerala was 1.514m kg. Karnataka was the only south Indian state where production improved, by 15,000kg to 463,000. Up to the end of June total south Indian production was down 5.076m kg at 84.763m.

But all tea growing centres in the east and north-east reported major production gains in the first half. In Assam output was up 16.313m kg to 126.072m, even though upper Assam had a dry spell in June. West Bengal's production was up by 8.556m kg to 52.873m; and other areas in the region raised their aggregate crop by 224,000 kg to 1.311m.

According to industry officials, the rise in production by 766,000 kg to 4.145m kg in Darjeeling where the world's best tea is grown, was remarkable as it was accompanied by consistent good quality. Particularly encouraging was the improvement in the quality of Darjeeling's "rains tea", which in the past has brought down the average yearly auction price for the area.

"Estates in Darjeeling must aggressively pursue the quality line to attract even more demand from the high value markets like Germany, Japan and the UK," commented Mr P.K. Sen, chairman of J. Thomas, the world's largest tea broking house.

The Indian Tea Association set a production target of 785m kg for the current season, assuming normal weather condition. Industry officials said last year's bumper crop benefited from a big improvement from September onwards; so the ITA target held good.

In its Annual Review for 1995, J. Thomas said: "The quality of Indian tea for the most part of the season represented an upgraded standard, with producers making a concerted effort on this front."

Industry officials were worried by a 2.10m kg fall in first half exports to 59.25m kg, though exporters drew some comfort from a rise in the average price to Rs76.91 ($2.16) a kilogram from Rs68.48 a year earlier.

India has an export target of 180m kg, compared with last year's figure of 164m kg, but it is doubtful that the country will be able to achieve that target unless Russia and other former Soviet states start buying its in large quantities.

The absence of Russian buying has brought down the prices of south Indian tea sharply. Even though Sri Lankan tea costs more than south Indian, the Russians, encouraged, according to Mr Sen, by the availability of long-term, cheap credit from the Sri Lankan government, are buying heavily from that market.

India is pleased, however, with a breakthrough in Iran with a recent sale of 3.225m kg of tea.

Elsewhere, Sri Lankan first half production was up marginally to 128.8m kg from 127.5m; Kenya's gained 8m kg at 134.3m; Bangladesh's rose 6.70m kg to 18.9m; and Malawi's was up 200,000kg at 26.9m.

Statistics support lead bulls

By Kenneth Gooding, Mining Correspondent

WORLD MARKET BALANCE (January–June)

	Lead 1996	Lead 1995	Zinc 1996	Zinc 1995
Mine production	1,355	1,301	3,532	3,395
Metal production	2,740	2,726	3,618	3,649
Metal consumption	2,785	2,717	3,686	3,782

Source: ILZSG

Statistics from the International Lead & Zinc Study Group, an intergovernmental organisation, support analysts who suggest tightening supplies are likely to lift lead prices.

The ILZSG reports that in the first half of this year global consumption of the metal, mainly used in batteries, outpaced refined metal production by 45,000 tonnes. Worldwide demand for lead rose by 2.5 per cent or 68,000 tonnes to 2.785m tonnes, it says. Meanwhile, global output was up by less than 1 per cent, or 15,000 tonnes, to 2.74m tonnes.

Germany was responsible for the main drop in lead output. Production there fell by 46,000 tonnes because of problems at Metaleurop's new Nordenham smelter.

In Paribas Capital Markets' latest Metallica publication, its analysts suggest: "A [lead] price rally is now imminent. Demand from battery producers remains depressed in Europe but is already picking up in the US. Very tight battery scrap supplies could exacerbate operating difficulties in the secondary smelting sector, most notably at Metaleurop's Nordenham smelter, when the battery replacement season starts in September."

Paribas forecasts that London Metal Exchange cash lead prices will average $825 a tonne this year, up from $631 in 1995, and move up to $998 next year.

According to the ILZSG, zinc supply was also in deficit in the first half of 1996. Worldwide output of refined zinc was down 1 per cent, or 36,000 tonnes, to 3.61m tonnes (mainly because of falls in China, down 50,000 tonnes, and Japan, where the Barajima smelter recently closed). Global demand also fell, by 96,000 tonnes, to 3.69m tonnes. The sharpest fall was in the western world where it dropped by 3.4 per cent or 108,000 tonnes to 3.109m tonnes.

Paribas insists the zinc price outlook remains "excellent" and sees LME cash prices rising from 1995's $1,031 a tonne to $1,215 this year and to $1,571 in 1997.

It points out in Metallica that high stock levels continue to affect zinc market sentiment but demand is now picking up in the US, "following the example set by Asian tigers". As Chinese production and exports are falling, the Asian zinc market is in deficit, it says.

Lonrho adds twist to Kazakh gold saga

By Sander Thoenes in Almaty

There is an unexpected new twist in the controversial struggle for the right to develop Vasilkovskoye in Kazakhstan, one of the world's biggest gold deposits. Lonrho, the UK based conglomerate, seems to have taken the lead in the bid for control of the project.

The Kazakh government has invited Lonrho to make an offer after a consortium led by Teck of Canada, which had been given exclusive negotiating rights, failed to reach agreement by the deadline on August 12.

Teck, and two companies associated with mining deal maker Mr Robert Friedland – First Dynasty and Bakyrchik Gold – had pledged to invest $360m, pay a bonus of $85m and provide undisclosed royalties for an 80 per cent stake in the mine. But an official at the State Property Committee, which headed the negotiations, said that Teck had backtracked on its original bid and insisted on delaying the first payments for the mine.

Mr Friedland, who led the negotiations for the consortium, said: "There are competing interests within the consortium".

Teck wanted guaranteed and fixed electricity prices, a condition the Kazakh government could not fulfil because it had privatised most power plants in recent months and given a pledge that it would liberalise prices.

Mr Friedland insisted: "The government is acting correctly and fairly in this round". It would have risked losing the other bidders if exclusive negotiations with the consortium had been extended, he pointed out.

Lonrho officials failed to respond to requests for comment yesterday.

Bids for Vasilkovskoye, which has proven and probable gold reserves of about 6.5m troy ounces, have also been made by Cogema of France, World Wide Resources of Canada and Altynalmas, the Kazakh state gold company.

Mr James Wade, president of World Wide Resources, said the government was being too optimistic on the Vasilkovskoye's likely yield. "If it had been an easy deposit it would have been mined a long time ago. You need a lot of horsepower to grind the ore, and that's a huge cost [in electricity]."

The Vasilkovskoye project has been a cause of controversy for some time. The Kazakh government first upset Dominion Mining, an Australian company that believed it had exclusive negotiating rights to the project. Dominion spent several million dollars exploring and proving reserves at Vasilkovskoye, where gold was first discovered in the mid-1960s, and the Kazakh authorities used some of this data when the project was put out to tender in December, 1994. Dominion suddenly found itself competing with some of the world's biggest mining groups.

The Kazakh government then upset the European Bank for Reconstruction and Development, which was advising about the tender process, by announcing in April last year that it had done a deal directly with Placer Dome of Canada and a small company, Princess Resources, in order to speed up the process. Placer Dome changed its mind and pulled out but is still waiting for the return of its $35m deposit even though the deadline for the refund was in July. The government then turned to the Teck consortium and gave it exclusive negotiating rights. "There seems to be some kind of jinx on this whole process," said one analyst yesterday.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1461-62	1486-87
Previous	1460.5-61.5	1494-95
High/low	1453	1493/1484
AM Official	1450-51	1487-87.5
Kerb close		1490-1
Open int.	220,045	
Total daily turnover	86,185	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1247-52	1281-85
Previous	1258-63	1293-95
High/low		1290
AM Official	1237-40	1275-80
Kerb close		1281-85
Open int.	4,798	
Total daily turnover	775	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	820-21	819-20
Previous	822-23	817-18
High/low	820/814	821/813
AM Official	812-13	812-13
Kerb close		821-22
Open int.	33,581	
Total daily turnover	9,452	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7030-40	7130-40
Previous	6980-90	7080-90
High/low		7150/7100
AM Official	7005-10	7101-06
Kerb close		7110-15
Open int.	38,902	
Total daily turnover	20,209	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6090-95	6150-55
Previous	6085-90	6151-53
High/low		6150/6140
AM Official	6080-90	6135-45
Kerb close		6150-60
Open int.	15,672	
Total daily turnover	5,010	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1007.5-8.5	1034.5-35.0
Previous	1006.5-7.5	1033-34
High/low	1004	1036/1032
AM Official	1003.5-4.0	1032-32.5
Kerb close		1033-34
Open int.	65,282	
Total daily turnover	27,571	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2000-03	1942-43
Previous	1995-96	1936-38
High/low	1985	1943/1915
AM Official	1984-85	1923-24
Kerb close		1941-2
Open int.	210,543	
Total daily turnover	72,302	

■ LME AM Official £/$ rate: 1.5458
LME Closing £/$ rate: 1.5480

Spot: 1.5455 3 mths: 1.5434 6 mths: 1.5433 9 mths: 1.5431

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	93.45	+2.85	93.50	90.10	264	1,549
Sep	93.25	+2.80	93.25	89.70	52	15,065
Oct	92.45	+2.70	92.50	90.20	11	1,310
Nov	91.75	+2.40	91.10	89.90	1	1,289
Dec	90.95	+2.10	90.95	88.20	1,953	18,527
Jan	90.40	+2.05	89.80	88.90	1	975
Total					9,893	58,069

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.45-386.75		
Opening	386.20-386.50		
Morning fix	386.25	249.758	466.629
Afternoon fix	386.40	250.032	465.882
Day's High	386.65-386.95		
Day's Low	386.05-386.35		
Previous close	386.00-386.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.28 6 months 4.04
2 months ....4.26 12 months 3.96
3 months 4.25

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.65	508.25
3 months	333.05	514.70
6 months	337.20	521.25
1 year	346.25	534.60

Gold Coins	$ price	£ equiv.
Krugerrand	386-390	250-252
Maple Leaf	395.75-398.25	
New Sovereign	88-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	387.3	+1.0	387.8	386.4	32	130
Oct	389.5	+1.0	389.6	388.2	398	11,226
Dec	392.4	+1.0	392.9	391.1	8,599	71,453
Feb	394.8	+1.0	394.9	393.6	149	11,534
Apr	397.2	+1.0	395.5	395.5	114	8,942
Jun	398.7	+1.0	399.0	399.0	[illegible]	11,[illegible]
Total					9,887	155,639

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	401.5	-2.8	403.5	401.2	2,781	19,267
Jan	403.5	-2.8	405.5	403.0	18	3,080
Apr	405.8	-2.8	407.5	406.7	150	2,946
Jul	408.2	-2.8	-	-	1	163
Oct	411.7	-2.8	-	-	8	2
Total					2,809	25,491

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	125.75	+0.70	126.75	124.50	872	4,432
Dec	126.50	+0.70	126.75	126.25	363	4,717
Mar	127.60	+0.70	-	-	2	116
Jun	128.65	+0.70	129.00	129.00	-	107
Total					1,285	9,372

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	519.8	+13.3	-	-	2	4
Sep	521.0	+13.3	524.0	508.0	9,364	50,221
Dec	529.1	+13.4	533.0	516.0	4,305	34,928
Mar	537.1	+13.7	538.0	524.0	42	8,293
May	542.2	+13.6	546.0	536.0	22	5,512
Jul	547.0	+13.9	-	-	180	4,223
Total					13,983	106,672

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	22.96	+0.30	22.97	22.53	31,867	37,626
Oct	22.23	+0.18	22.23	21.81	20,704	76,180
Nov	21.56	+0.08	21.56	21.40	7,098	37,801
Dec	21.02	+0.09	21.02	20.85	6,399	44,496
Jan	20.51	+0.07	20.51	20.38	3,003	30,745
Feb	20.10	+0.04	20.10	20.01	1,572	21,169
Total					82,312	388,768

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	20.69	+0.16	20.69	20.47	9,045	76,352
Nov	20.14	+0.07	20.14	19.97	2,855	12,976
Dec	19.68	+0.07	19.68	19.50	2,199	17,229
Jan	19.14	-0.03	19.18	19.08	1,004	13,509
Feb	18.83	+0.06	18.83	18.67	1,011	7,551
Mar	18.50	+0.07	18.50	18.33	317	5,112
Total					18,081	144,078

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	61.85	+0.32	62.00	61.30	11,353	38,929
Oct	61.65	+0.23	62.00	61.20	6,069	21,382
Nov	61.85	+0.18	61.95	61.40	2,382	11,785
Dec	61.85	+0.18	61.90	61.30	4,865	25,594
Jan	61.40	+0.18	61.40	61.05	1,815	12,504
Feb	59.90	+0.13	60.00	59.50	792	6,656
Total					27,246	121,457

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	166.50	+2.00	166.50	167.00	4,678	25,677
Oct	168.60	+1.25	167.25	166.25	3,701	6,221
Nov	164.75	+1.25	163.25	163.50	1,604	[illegible]
Dec	163.25	+1.50	163.25	163.50	1,220	13,588
Jan	160.75	+1.50	161.00	160.00	200	5,212
Feb	176.75	+0.50	177.50	176.00	[illegible]	[illegible]
Total					17,482	89,489

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.105	-0.035	2.165	2.080	12,110	23,748
Oct	2.170	-0.015	2.210	2.142	4,859	29,275
Nov	2.270	-0.009	2.290	2.245	1,100	14,649
Dec	2.335	-0.005	2.345	2.316	1,302	15,771
Jan	2.340	-0.005	2.345	2.316	322	11,846
Feb	2.250	-0.005	2.270	2.245	446	7,157
Total					21,429	141,394

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	64.35	+0.87	64.40	63.25	11,883	23,648
Oct	62.40	+0.50	62.70	61.70	4,407	17,016
Nov	60.45	+0.27	60.69	60.10	996	7,714
Dec	58.80	-0.03	59.15	58.60	257	3,881
Jan	57.85	-0.23	57.85	57.85	122	1,979
Feb	57.45	-	-	-	150	1,579
Total					17,248	60,[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	105.15	-0.60	104.50	104.00	24	308
Nov	107.10	-0.65	107.50	106.25	442	3,173
Jan	109.05	-0.65	109.50	108.25	118	1,[illegible]
Mar	111.00	-0.75	111.00	110.25	314	870
May	112.50	-1.00	113.50	112.60	105	587
Jul	114.70	-0.80	-	-	-	67
Total					999	6,941

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	469.50	+5.00	401.50	446.00	3,891	16,649
Dec	454.50	+7.50	456.00	447.50	8,898	37,658
Mar	461.25	+8.00	462.00	445.50	1,165	7,784
May	434.00	+6.00	434.00	424.00	54	304
Jul	400.75	+6.25	401.50	393.50	245	3,065
Dec	406.00	+4.00	404.50	402.00	-	84
Total					13,628	66,866

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	364.00	-3.50	364.75	355.50	9,599	63,740
Dec	341.25	-1.75	342.00	332.00	29,564	178,037
Mar	348.75	-1.25	349.50	338.50	5,397	40,279
May	354.50	-0.75	355.00	344.50	1,498	12,952
Jul	354.50	-0.75	355.00	345.00	581	10,174
Sep	314.00	-2.00	314.00	311.00	11	1,061
Total					46,698	303,927

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	98.50	-	98.00	98.00	11	288
Nov	101.15	-0.25	101.40	100.90	115	981
Jan	103.25	-0.25	103.40	103.00	26	406
Mar	105.25	-0.10	105.05	105.05	14	127
May	106.75	-0.25	107.50	107.50	8	71
Total					148	1,818

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	814.75	-11.75	821.00	800.00	2,202	1,442
Sep	787.00	-6.50	788.50	768.00	5,916	15,548
Nov	771.00	-5.75	773.00	748.00	35,522	121,194
Jan	778.25	-5.25	779.50	755.50	2,442	18,424
Mar	783.25	-5.00	784.00	768.50	448	10,508
May	784.50	-3.50	785.50	770.00	320	8,419
Total					47,181	185,327

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	24.88	-0.17	24.85	24.57	484	655
Sep	24.94	-0.17	24.97	24.62	3,501	18,353
Oct	25.16	-0.13	25.17	24.83	1,402	14,106
Dec	25.55	-0.12	25.57	25.20	7,306	32,412
Jan	25.76	-0.11	25.79	25.43	2,559	4,504
Mar	26.15	-0.08	26.17	25.80	230	4,532
Total					16,261	76,879

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	258.0	-1.2	255.7	252.0	2,036	3,017
Sep	251.4	-0.6	259.5	247.0	3,849	19,009
Oct	244.7	-0.8	244.8	240.0	2,611	10,271
Dec	242.4	-0.5	242.5	237.1	7,019	30,873
Jan	242.0	-0.7	242.1	236.5	581	4,680
Mar	241.7	-1.1	241.9	238.0	98	4,448
Total					17,079	79,890

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	72.5	-12.5	-	-	-	-
Mar	75.0	-30.0	-	-	-	-
Apr	82.0	-5.5	83.5	80.0	72	1,082
May	85.0	-12.5	-	-	-	3
Jun	85.0	-77.5	-	-	-	-
Total					72	1085

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1128	-17	1135	1135	20	870
Sep	1205	-29	1216	1205	37	653
Oct	1290	-17	1306	1290	78	1,360
Jan	1311	-17	1320	1310	22	613
Apr	1319	-11	1319	1319	10	234
Jul	1155	-5	1160	1150	2	64
Total					165	3,764

	Close	Prev
BFI	1108	1101

FUTURES DATA
All futures data supplied by CMS.

Tea
There was strong and improved demand this week reports the Tea Brokers Association. Landed the first new season's Assams met good competition. Selected top quality invoices fetched between 150p/kg and 245p/kg, while good liquoring types sold above valuations at around 130p/145p/kg. Brightest and colour medium East Africans were a strong feature and prices advanced particularly for pds which were substantially dearer. Others were irregular and tended easier. Offshore fair demand at firm rates. Quotations: landed best available: 200p/kg, good: 135p/kg, good medium: 112p/kg, medium: 108p/kg, low medium: 94p/kg. The highest price realised this week was 299p/kg. for a burundi pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1014	-4	1020	1009	182	37,930
Dec	1025	-6	1033	1022	669	36,261
Mar	1037	-7	1046	1033	352	41,405
May	1046	-6	1049	1045	26	21,630
Jul	1059	-6	1066	1065	236	11,347
Sep	1071	-6	1076	1077	8	3,367
Total					1,037	170,[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1360	-9	1378	1359	4,842	1,673
Dec	1409	-8	1424	1407	4,899	30,237
Mar	1441	-8	1455	1440	357	16,932
May	1439	-8	1470	1468	129	7,311
Jul	1477	-7	-	-	31	5,832
Sep	1485	+2	-	-	134	5,255
Total					10,280	75,881

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Aug 16 Daily	1046.46	1060.75

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1677	-11	1686	1666	1,012	7,636
Nov	1657	-14	1670	1649	984	13,129
Jan	1615	-3	1630	1600	242	4,657
Mar	1577	+4	1585	1565	90	2,614
May	1560	+4	1558	1550	62	818
Jul	1555	+16	-	-	-	166
Total					2,370	28,720

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	120.65	-0.20	121.10	118.50	1,694	4,655
Dec	113.30	+1.75	113.70	110.50	2,988	11,686
Mar	109.20	+1.65	109.25	106.80	624	3,690
May	108.85	+1.35	108.90	107.25	91	1,247
Jul	108.90	+1.15	109.50	109.00	1	491
Sep	108.90	+0.90	109.00	108.00	1	194
Total					5,418	22,102

■ COFFEE (ICO) (US cents/pound)

Aug 16		Prev. day
Comp. daily	102.78	103.65
15 day average	99.76	99.29

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	351.8	+3.0	352.0	348.9	581	10,131
Dec	345.8	+2.5	346.0	343.9	330	4,334
Mar	340.9	+2.1	341.2	339.4	167	6,654
May	338.2	+1.7	338.8	334.9	73	2,656
Aug	333.9	+0.8	334.0	333.9	11	1,057
Oct	325.5	+0.7	325.6	324.9	30	953
Total					1,019	25,940

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.72	+0.08	11.77	11.65	5,956	67,125
Mar	11.42	+0.07	11.42	11.35	2,162	48,187
May	11.20	+0.06	11.20	11.13	1,080	17,177
Jul	10.86	+0.04	10.90	10.83	287	12,957
Oct	10.71	+0.07	10.74	10.68	42	7,335
Mar	10.46	+0.09	-	-	-	793
Total					9,527	151,782

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.12	-0.60	72.55	71.83	492	7,230
Dec	72.61	-0.53	73.00	72.30	2,688	29,267
Mar	73.90	-0.43	74.30	73.71	277	7,795
May	74.90	-0.51	75.10	74.61	105	6,138
Jul	75.72	-0.29	75.90	75.60	105	4,510
Oct	75.26	-0.20	75.15	75.15	21	1,058
Total					3,698	58,237

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	122.00	+2.15	122.75	118.25	2,819	7,622
Nov	118.15	+2.75	118.45	112.50	1,195	5,030
Jan	114.25	+1.50	114.60	112.00	359	4,854
Mar	115.30	+1.75	115.30	113.25	[illegible]	[illegible]
May	116.50	-0.05	116.50	112.00	[illegible]	[illegible]
Jul	117.10	+1.45	117.00	115.85	54	338
Total					4,086	18,356

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 19	Aug 16	month ago	year ago
1942.7	1948.0	1990.5	2222.5

■ CRB Futures (Base: 1967=100)

Aug 16	Aug 15	month ago	year ago
249.55	248.59	-	-

■ GSCI Spot (Base: 1970=100)

Aug 16	Aug 15	month ago	year ago
201.36	198.51	209.20	175.30

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	69.000	-0.075	69.250	68.925	2,962	4,967
Oct	71.375	-0.075	71.550	71.150	10,221	43,019
Dec	67.875	+0.05	67.975	67.700	3,404	21,212
Feb	66.475	-0.35	66.950	65.375	1,557	13,906
Apr	66.875	-0.425	67.300	66.650	272	4,630
Jun	64.675	-0.4	66.300	64.625	73	2,389
Total					18,490	93,113

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	81.525	+0.4	81.700	81.000	686	1,746
Oct	55.050	-0.1	55.550	54.850	3,339	14,497
Dec	65.000	-0.075	66.425	64.850	1,572	10,604
Feb	75.975	+0.15	76.050	75.550	415	3,216
Apr	74.050	+0.2	74.050	73.700	117	1,257
Jun	78.225	+0.175	78.250	77.800	59	1,267
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	93.375	-2	95.100	93.375	479	910
Feb	83.025	-0.975	85.100	82.800	1,220	3,693
Mar	82.550	-0.85	84.400	82.275	67	606
May	81.750	-1.15	83.500	81.750	48	269
Jul	81.500	-0.9	82.500	80.400	4	45
Aug	78.400	-1.85	80.250	80.000	3	6
Total					1,846	5,822

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1450	27	82	11	33
1500	6	55	40	56
1550	1	35	85	84

■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1900	101	112	10	88
2000	37	69	45	143
2100	8	40	116	212

■ COFFEE LCE	Sep	Nov	Sep	Nov
1600	80	126	3	69
1650	40	99	13	92
1700	15	78	38	121

■ COCOA LCE	Sep	Dec	Sep	Dec
975	39	80	-	30
1000	15	66	4	41
1025	5	53	16	53

■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1900	-	-	-	-
1950	185	111	-	-
2000	94	84	39	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.86-8.95	+0.170
Brent Blend (dated)	$21.56-1.61	+0.325
Brent Blend (Oct)	$20.79-0.81	+0.340
W.T.I.	$22.32-2.34x	+0.360

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$220-222	+1
Gas Oil	$189-191	+2.5
Heavy Fuel Oil	$92-94	+1
Naphtha	$192-197	+0.5
Jet fuel	$216-218	+4
Diesel	$191-192	+2

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	14.40-15.15	+0.45

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$386.60	+0.40
Silver (per troy oz)♣	511.50c	+3.50
Platinum (per troy oz.)	$399.25	+0.25
Palladium (per troy oz.)	$124.00	-0.25
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.00r	15.00
Tin (New York)	285.50	
Cattle (live weight)	98.22p	-3.58*
Sheep (live weight)	109.43p	-0.35*
Pigs (live weight)	111.92p	-4.40*
Lon. day sugar (raw)	$306.90	-0.70
Lon. day sugar (wte)	$370.80	-0.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	[illegible]	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	88.25p	
Rubber (Oct)♥	88.25p	
Rubber (KL RSS No1)	321.50m	-1.50
Coconut Oil (Phil)§	$790.0w	-10.0
Palm Oil (Malay)§	$515.0	-2.5
Copra (Phil)§	$508.0w	
Soyabeans (US)	226.0	-1.0
Cotton Outlook'A' index	76.30c	-0.05
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep. x Oct. w Jul/Aug. † Aug/Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 421 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,151 Set by HIGHLANDER

ACROSS
1 Completely preoccupy broadcasting bosses (6)
4 Weapon sounded sub-standard, like some shotguns (5-3)
9 Looks hard, say, for something to climb (6)
10 Abandon aircraft? No, sit back (8)
12 Undercooked turkey perhaps for an exceptional person (4,4)
13 Decline Alpine expedition involving a direct descent (6)
15 Birds coming from Europe must be migratory (4)
16 Saw last of reds pocketed (7)
20 Verbally authenticating the upper limit (7)
21 Othello's opportunity to retreat (4)
25 Knock back wine then work over? Too much for musicians (6)
26 Don't lean over so much without energy (8)
28 Vessel is shipshape and initially organised (8)
29 No one taken aback after small roll produces swelling (6)
30 Pace not heartless but harsh (8)
31 Some sportsmen take terrible risks – English included (6)

DOWN
1 He died with tennis player and spectator (8)
2 Where one sits on beat to fish (3,5)
3 Cries out about born writer (6)
5 State version that was authorised by Queen (4)
6 Restricted to the named heirs involved (8)
7 Funny story about origin of edible mollusc (6)
8 Style and vigour provided all over the last act (6)
11 Greek fruit in the hold (7)
14 Implement upper-class, silent version (7)
17 Carefully worked out with Scottish flower on tartan cloth (8)
18 Allegedly is aware of disreputable bar's sharp decline (4,4)
19 Exhibits there on Sunday (8)
22 Country lacking English and American standing (6)
23 Office equipment firm needs landing place (6)
24 Hit front of stationary vehicle (6)
27 Family man in agony (4)

Solution to Saturday's prize puzzle on Saturday August 31.
Solution to yesterday's prize puzzle on Monday September 2.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

espite cyclones

azakh gold saga

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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TSB Fund Managers (CI) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Island Pension	727.8	766.2	+2.6	-
Island Equity Acc	127.5	134.2	+0.3	-

WMB Asset Management (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Fut 500 Ire Mits Dollar income	$1009.39	1009.42	—	-

Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$258.82	280.13	—	5.76
Excalib Global Eqty $ *	$78.80	79.21	—	-
Excalib Stg Glbal Fxed Inc*	£11.94	12.01	—	4.84

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424948320

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity		$47.34	48.68	—	-
North America Equity		$74.44	74.81	—	-
Asian Tigers Equity		$59.84	60.44	—	-
Europe Equity		$68.85	69.19	—	-
Germany Equity		[illegible]	138.14	—	-
Japan Equity		$50.05	50.55	—	-
Europe Bond		$59.39	59.43	—	-
US Bond		$58.00	58.15	—	-
Global Bond		$58.40	58.56	—	-
Germany Bond B		DM12.6	112.74	—	-
Spain Bond		Pta9450	9474	—	-
Eastern Europe Equity F		[illegible]	172.45	—	-
China Equity F		$54.21	54.89	—	-

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174
UK-01732 777377 Lux-00 352 2513501230

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Major Market Funds					
America		$2.284		+0.007	-
Europe		DM4.658		+0.024	-
International		$16.22		+0.04	-
Japan		Y738.8		-0.1	-
Pacific		$8.940		-0.018	-
South East Asia		$2.658		-0.003	-
Country Select Funds					
ASEAN		$20.79		+0.04	-
Asian Special Situations		$10.08		+0.05	-
Australia		A$15.25		+0.08	1.39
Emerging Markets		$8.306		+0.025	-
European Smr Cos F		DM12.78		+0.08	-
France		FFr81.58		—	-
Germany		DM20.06		+0.05	-
Hong Kong		$44.60		+0.09	0.66
Iberia		Pta1729		+4	-
Indonesia		$9.509		+0.125	-
Italy		L14297		+84	-
Japan Smllr Cos		Y1105		—	-
Korea F	0	$9.280		-0.111	-
Latin America		$9.500		+0.091	0.53
Malaysia		$32.97		+0.08	-
Nordic		SKr189.3		+0.4	-
Singapore		$24.15		+0.05	-
Switzerland		SFr14.62		+0.08	-
Thailand		$32.83		-0.20	-
United Kingdom		£1.123		+0.004	-
Bond Funds					
European		Ecu10.80		+0.03	6.49
International		$1.054		-0.001	6.90
US Dollar		$5.529		-0.002	6.82
Sterling		£0.249		+0.001	7.14
Yen		Y1005		—	3.00
Balanced					
European Balanced		DM11.79		+0.04	1.92

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	487	-2	556	419	4,638	6.6	16.9
Bulmer (HP)		589xd	-3	625	490	311.0	2.8	19.7
Burn St Dist		101	-	149	96	99.9	8.2	21.8
Glenmorangie A		765		775	600	104.0	2.0	19.6
Grand Met		462xd	-4	487	407½	9,892	4.1	19.6
Guinness		472½	-7½	536	439	9,138	3.9	15.4
Highland		358	-1	406	315	477.2	2.6	18.7
[illegible]		729¼	-½	870¼	621	7,680	0.8	29.0
Macallan-Glen		158		217	150	165.5	[illegible]	[illegible]
Matthew Clark		685xd	-3	803	580	605.2	4.4	32.6
[illegible]		122xd		141	93	13.3	4.6	[illegible]
Seagram $		£22¼	[illegible]	[illegible]	[illegible]	6,005	1.3	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]		90¼		90½	50½	6.31	19.8	-
Cater Allen		423		530	379	137.9	8.9	12.5
Close Bros		340	-1	392	305	408.7	3.3	15.1
Gerrard & Nat		340		372	337	168.3	6.5	10.8
Hambros		256xd	+1½	296	183	453.4	3.7	-
[illegible]		114	[illegible]	117	94½	146.8	8.5	-
[illegible]		165		177	117½	43.6	6.8	14.3
[illegible]		448xd		463	353	23.7	5.4	16.2
[illegible]		51		67	44	34.6	2.5	19.8
Schroders		1366	-3	1478	1165	2,081	1.5	19.0
N.V.		1073	-3	1180	890	472.1	1.9	14.9
Singer & Fried		118	-1	122½	99	222.1	4.2	9.8
[illegible]		£140¾		£144½	[illegible]	40.8	6.1	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on assumed dividend. b Figures based on prospectus or other official estimates. ‖ Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. ... yield, p/e ratio based on latest annual earnings. e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other ... yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. ¶ Dividend is paid in whole or part as a ...

FD (Foreign Income Dividend). & Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities mark time ahead of Fed meeting

By Steve Thompson, UK Markets Editor

London's equity market delivered a steady performance at the start of a week that brings crucial policy decisions from the US and Germany.

Apart from the demerger debuts of Thorn and EMI, which prompted plenty of action in the two stocks and some keen turnover in the retailing sector, dealers reported a generally subdued trading session.

The FT-SE 100 index, which ended last week at an all-time closing high and which hit an intra-day peak in mid-session on Friday, closed the day a net 9.2 off at 3,863.7, although the fall included almost 7.5 points worth of ex-dividends.

With the Footsie effectively only two points lower, there was better news for investors in second line stocks, where the FT-SE Mid 250 index ended 1.9 firmer at 4,368.3. Turnover in equities fell to minimal levels, even by recent holiday standards, and came out at 440.3m shares, one of the lightest figures for many weeks.

Marketmakers expected only routine activity in the London market until the US Federal Open Market Committee meeting ends on Wednesday.

The consensus is that the Fed will leave US interest rates on hold for the time being, although dealers were quick to point out that there remained a slight chance that the FOMC could nudge rates higher to head off any inflationary trends.

A downward shift in the repo rate in Germany was a distinct possibility, dealers said, but they added that such a move had already been factored into the market.

Footsie started on a buoyant note, boosted by Friday's good showing on Wall Street and the enthusiastic reception given to EMI, post its demerger. At its best, only minutes after the official opening of trading, Footsie was up 5 points at an intraday peak of 3,877.9.

There was no real follow-through in the market, however, and share prices embarked on a orderly retreat which took the index down to 3,861.2, a fall of 11.7, around an hour after Wall Street opened for business.

The US equity market was marginally lower at one point, but subsequently picked up to post a small rise 90 minutes after the London market closed.

CORRECTION

We regret that because of an error at FT-SE International, the "FT-SE 100 Index" table published on Page 13 of the Financial Times on August 17 contained incorrect data. Corrected figures are given below. We apologise for any inconvenience.

FT-SE 100 Index

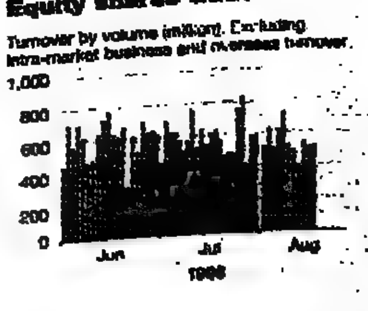
Closing Index for Aug 16	3872.9
Change over week	+ 62.2
Aug 15	3837.4
Aug 14	3830.3
Aug 13	3823.4
Aug 12	3803.3
High*	3873.1
Low*	3792.4

*Intra-day high and low for week

FT-SE-A All-Share Index

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3863.7	−9.2
FT-SE Mid 250	4368.3	+1.9
FT-SE-A 350	1932.3	−3.4
FT-SE-A All-Share	1908.96	−2.89
FT-SE-A All-Share yield	3.86	3.85

FT Ordinary index	2801.9	−22.6
FT-SE-A Non Fins p/e	17.16	17.22
FT-SE 100 Fut Sep	3879.0	−3.0
10 yr Gilt yield	7.76	7.75
Long gilt/equity yld ratio	2.11	2.11

Best performing sectors

1. Electronic & Elect Equip +0.8
2. Oil: Integrated +0.6
3. Mineral Extraction +0.5
4. Retailers: General +0.5
5. Banks: Merchant +0.5

Worst performing sectors

1. Tobacco −2.7
2. Gas Distribution −1.7
3. Banks: Retail −1.2
4. Electricity −1.0
5. Utilities −0.8

Oils hit all-time highs

Leading oil stocks hit new all-time highs yesterday in response to the renewed strength in underlying oil prices. Brent crude for delivery in September was up at $21.25 at one stage yesterday adding weight to recent analysts' upgrades. SGST has raised its 1996 average forecast to $19.15 from $18.50 previously.

Oil expert Ms Irene Himona estimates that a company such as BP, which is heavily geared to fluctuations in the oil price, could see net income jump by £600m if the oil price moves from $17 to $20 a barrel. BP lifted 5 at one point and ended 2 up at 631p, a new closing high. Shell Transport rose 9 to 949p, also a record close.

Zeneca record

The rise and rise of Zeneca continued apace yesterday with the stock hitting a new peak of £15 on the back of weekend press comment.

One Sunday newspaper revived persistent takeover speculation by citing a valuation from Merrill Lynch, the US broker.

Merrill's pharmaceutical team has carried out a break-up exercise and put a theoretical minimum value of just over £18bn on the group, which equates to 1912p a share.

However, the newspaper report omitted two salient points. First, the research was published back in May as part of an overall review, which focused primarily on Zeneca's fundamental research-driven attractions.

Second, the valuation was carried out as a means, not of highlighting the potential of a bid, but rather of outlining the diminishing possibility of an approach. It carried the rider: "Such a price is beyond the reach of almost all but the very largest companies."

With Merrill quickly putting fund managers at their ease yesterday, the shares traded down from the peak. Nevertheless, optimism remains in other circles that Roche of Switzerland might be interested in some sort of deal and Zeneca ended 12 up at 1490p.

BAT Industries, the insurance and tobacco conglomerate, fell 13 to 452p on growing concern ahead of the latest US tobacco case.

This week a jury in Indiana will examine a suit brought against Philip Morris, the world's largest tobacco company, and defeat for the group would compound a recent verdict against BAT's US subsidiary, Brown & Williamson Tobacco.

Ms Julianne Jessup of UBS has turned cautious on BAT's share price prospects following the Brown case and believes volatility will continue for some time. "The whole ball game has changed since the [BAT] case. Before that the industry's record was pretty well impregnable," she said.

BAT shares were further upset by a slide in Philip Morris which dipped $1¾ to $88¾ on Friday in the US, having traded at $105⅛ earlier in the week.

The newly merged Royal Sun insurance group gained 7 to 398p following a recommendation from Morgan Stanley.

EMI Group and Thorn parted company when dealing began in the demerged companies, being respectively the best and the worst performers in the FT-SE 100 index. EMI climbed 37½ to 1460p, ex the 29.5p net dividend, on trade of 3.1m while Thorn fell 19 to 381p on trade of 11m.

Analysts said that Thorn had a good management in a difficult market while EMI Group, which has a relatively strong earnings profile, had a bid premium with names in the frame including MCA, Sony, Bertelsmann and Time Warner.

ABN Amro Hoare Govett recommended clients to "buy" EMI Group at a target price of 1500p and "sell" Thorn down to 390p.

The retail sector, which is expecting good news tomorrow with the publication of UK sales figures for July,strengthened as Argos reported first half sales at the very top of forecasts.

Pre-tax profits of £31.8m were up by 45 per cent on last year's £21.8m.

Analysts, who said that Argos had been trying to dampen expectations, adjusted their forecasts, with UBS raising its full year figure from £140m to £145m and Panmure Gordon moved from £142m to £152m. SBC Warburg, the house broker, went from £139m to £146m. Argos rose 14 to 757p.

A number of other stocks took heart from Argos – which showed particularly strong growth in furniture and larger ticket items – including Dixons, which jumped 13 to 524p and DFS Furniture, which climbed 11 to 580p.

Chamberlain Phipps, the footwear materials manufacturer, was suspended at 11p after the banks demanded immediate repayment of outstanding loans.

Among telecom stocks, General Cable was in demand and put on 3 to 175p, while Nynex and Telewest also outperformed the market holding at 102p and 140p, respectively.

However, Credit Lyonnais Laing has put all three stocks on their sell list, suggesting they are overvalued. Analysts at the securities house said: "Cable has done well to beat satellite in areas they both serve, and give BT a run for its money, but its prospects have been and still are over-rated and overvalued." They concluded: "Revenue, margin, and multiple downgrades show that cable share prices in 2005 will be the same as now."

Elsewhere in the sector, Orange improved 1½ to 187p, in trade of 2.5m, ahead of today's interim figures. The market is expecting the group to report a loss of between £125m and £135m, although several brokers including NatWest Securities continue to advise investors to "add" to holdings.

Monument Oil and Gas fell 5¼ to 56½p as the company announced a capital restructuring which resulted in shareholders receiving £38.3m in cash, or 7½p per share.

One analyst said the stock outperformed its re-calculated price of 54¼p because some traders had not factored in dilution from the issue of £16.7m of new Monument shares.

Confirmation that Inchcape is selling its testing services business for £380m helped the shares harden 2 to 291p.

Motor components and engineering group T&N recorded the day's best performance among FT-SE Mid 250 index stocks.

Moving against the poor market trend, the shares gained 8¼ to 140¼p, after trade of 3.7m, with sentiment boosted by a weekend press report that the group is about to take out insurance that will cap its liability for compensation over asbestos-related diseases.

FINANCIAL TIMES EQUITY INDICES

	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	Yr ago	*High	*Low
Ordinary Share	2801.9	2824.5	2801.9	2800.0	2796.2	2660	2865.2	2668.6
Ord. div. yield	4.13	4.03	4.08	4.08	4.09	4.05	4.22	3.78
P/E ratio net	16.72	17.12	16.94	16.92	16.89	15.93	17.26	15.80
P/E ratio nil	16.55	16.94	16.76	16.74	16.72	15.74	17.09	15.71

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2805.0	2806.3	2803.3	2802.8	2805.4	2806.1	2805.9	2804.4	2799.9	2808.1	2799.4

	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	Yr ago
SEAQ bargains	33,442	30,308	28,417	27,738	28,642	27,920
Equity turnover (£m)†	-	1395.0	1508.9	1464.2	1482.9	1538.7
Equity bargains†	-	35,593	33,816	34,506	33,608	40,662
Shares traded (mil)†	-	486.1	521.9	505.7	639.0	589.3

†Excluding intra-market business and overseas turnover.

	Aug 19	Aug 16	Aug 15	Aug 14	Aug 13	Yr ago	*High	*Low
FT-SE AIM	1072.10	1069.90	1070.60	1070.40	1068.90	-	1146.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	832	Total Highs	121	Total contracts	37,925
Total Falls	360	Total Lows	25	Calls	21,855
Same	1,499			Puts	16,070

Aug 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3887.0	3879.0	-3.0	3890.0	3871.0	5938	64131
Dec	3906.0	3900.0	-2.0	3906.0	3893.0	67	4755
Mar		3911.0	-3.0			0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4368.0	-15.0			0	3759

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
§70	F.P.	18.6	87	67	†AND Intl
§60	F.P.	7.95	58	33	†Alkyme
*	F.P.	881.6	£20½	£18¾	Alumax
§100	F.P.	-	100	100	Amer Opps Ln 03/06
-	F.P.	12.7	68	66	†Barbican Hlthcre
§110	F.P.	10.3	181	120	†Chemical Design
*	F.P.	5.17	4	4	†Dentmaster Hldgs
§§	F.P.	3.07	4	4	†Drings of Bath
§	F.P.	67.9	679½	678½	Egypt Trust
§145	F.P.	41.6	218	148	†Elec Retail Sys
§	F.P.	2.82	58	41	†Feynwood
§	F.P.	19.0	68	61	†Gall Thomson Env
168	F.P.	22.6	202	169	†HIT Entm
§65	F.P.	18.2	66	65	Hambros Em Asn C
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C
§12	F.P.	0.60	15	12	†Life Numbers
§	F.P.	0.16	6	2	†Life Numbers Wts
-	F.P.	4.73	16½	13	†Lon & Edinburgh
§	F.P.	0.26	1½	1	†Lotterylink Wts
-	F.P.	0.36	2	1½	†Pordum Foods Wts
§149	F.P.	19.3	165	151	†SCI Ent
§100	F.P.	70.8	99	90½	Schroder Em Chna
§	F.P.	5.26	37	31	Schroder Em Wts
-	F.P.	40.8	373	343	Schroder Em Ct C
§65	F.P.	13.3	70	68	†Selector
145	F.P.	471.0	163	158	Somerfield
-	F.P.	6.02	130	120	†West 175 Ents

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 19	% chg on day	Aug 16	Year ago
Gold Mines Index (31)	1981.71	−1.2	2006.02	2030.17
■ Regional Indices				
Africa (13)	2563.41	−1.8	2587.77	2809.28
Australasia (7)	2380.44	+1.1	2353.17	2435.84
North America (11)	1762.99	−1.5	1790.83	1734.39

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FT-SE Actuaries Share Indices — The UK Series

	Aug 19	Day's chge%	Aug 16	Aug 15	Aug 14	Year ago	Div. yield%
FT-SE 100	3863.7	−0.2	3872.9	3837.4	3830.5	3535.7	4.05
FT-SE Mid 250	4368.3	.....	4366.4	4356.0	4351.9	3907.5	3.48
FT-SE Mid 250 ex Inv Trusts	4401.6	.....	4400.6	4390.8	4387.4	3920.0	3.55
FT-SE-A 350	1932.3	−0.2	1935.7	1920.8	1917.6	1759.7	3.92
FT-SE-A 350 Higher Yield	1848.1	−0.4	1855.0	1842.2	1842.4	1751.8	5.24
FT-SE-A 350 Lower Yield	2023.8	.....	2023.8	2006.7	2000.1	1771.2	2.73
FT-SE SmallCap	2139.67	+0.2	2136.18	2130.69	2127.26	1954.60	3.11
FT-SE SmallCap ex Inv Trusts	2132.11	+0.2	2128.85	2123.57	2120.12	1929.8	[illegible]

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CONTRACTS & TENDERS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 19 / Sch)

BELGIUM/LUXEMBOURG (Aug 19 / Frs.)

CZECH REP (Aug 19 / Koruna)

DENMARK (Aug 19 / Kr)

FINLAND (Aug 19 / Mka)

FRANCE (Aug 19 / Frs.)

GERMANY (Aug 19 / Dm.)

GREECE (Aug 19 / Drachma)

ITALY (Aug 19 / Lira)

NETHERLANDS (Aug 19 / Fls.)

NORWAY (Aug 19 / Kroner)

POLAND (Aug 19 / Zloty)

PORTUGAL (Aug 19 / Escudo)

SPAIN (Aug 19 / Pts.)

SWEDEN (Aug 19 / Kronor)

SWITZERLAND (Aug 19 / Frs.)

TURKEY (Aug 19 / TL Lira)

PACIFIC

JAPAN (Aug 19 / Yen)

AUSTRALIA (Aug 19 / Aus$)

HONG KONG (Aug 19 / H.K.$)

INDONESIA (Aug 19 / Rupiah)

MALAYSIA (Aug 19 / MYR)

NEW ZEALAND (Aug 19 / NZ $)

SINGAPORE (Aug 19 / S$)

SOUTH KOREA (Aug 19 / Won)

TAIWAN (Aug 19 / TW $)

THAILAND (Aug 19 / Baht)

NORTH AMERICA

CANADA

TORONTO (Aug 19 / Can $)

4 pm close

MONTREAL (Aug 19 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 19 / Rand)

INDICES

	Aug 19	Aug 16	Aug 15	1996 High		Low	
Hong Kong							
Hang Seng(31/7/64)	11213.48	11173.96	11158.39	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3281.49	3382.75	(c)	4069.28	18/6	2828.06	25/1
Indonesia							
Jakarta Comp.(10/8/82)	537.07	536.73	532.40	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2543.83	2544.98	2545.58	2565.19	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	601.20	604.78	(c)	674.19	20/5	572.21	27/3
MIB Generale(2/1/58)	1019.0	1025.0	(c)	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21106.41	20834.09	20969.25	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	295.77	294.50	295.72	319.70	26/6	284.48	11/3
Taiwan							
Weighted Pr.**(30/6/66)	6047.51	6249.61	6284.93	6560.41	29/6	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1067.48	1063.86	1088.90	1415.04	6/2	1064.04	31/7
Turkey							
Istanbul Comp.(Jan 1986)	62421.9	62357.1	62489.2	73631.39	8/7	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	758.7*	757.4	765.8*	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(25/10/90)	1650.74	1649.44	1643.79	1709.78	4/7	1504.49	11/1
Euro Top-100(26/6/90)	1411.09	1417.03	1408.92	1459.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	369.56	369.92	383.19	18/4	344.39	2/1
ISE Bmga Emrg(7/1/92)	(u)	158.83	158.19	166.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index) (Aug 14)							
Aug	2002.0	1993.0	+10.0	2004.0	1988.0	6,578	25,356
Sep	2007.5	1998.5	+10.0	2009.0	1994.5	1,674	21,480
DAX							
Sep	2570.5	2563.0	-11.0	2574.0	2569.0	97,810	93,426
Dec	2591.0	2581.5	-12.0	2591.5	2579.0	324	-
OMX							
Jul	1530.00	1516.00	-14.00	1530.00	1515.00	3,405	15,111
Aug	1536.00	1523.25	-13.00	1536.00	1523.25	1,570	7,916
SOFFEX							
Oct	3690.0	3677.0	+9.00	3690.0	3667.0	2	513

** Sat Aug 17: Taiwan Weighted Price 6226.82; Korea Comp Ex 810.89. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. § Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 19 - 2556.25 -11.71

US INDICES

Dow Jones

Day's high 5686.70 (5678.72) Low 5656.62 (5650.24) (Actual)

Standard and Poors

				1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	665.21	662.28	662.05	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	785.17	782.87	782.58	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.93	69.05	68.99	69.93 (16/8)	59.67 (10/1)	69.93 (16/8/96)	8.64 (1/10/74)
NYSE Comp.	355.96	354.22	353.84	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	556.14	552.53	550.34	614.88 (22/5)	525.80 (18/7)	614.88 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1133.55	1134.69	1133.51	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Aug 16	Aug 9	Aug 2	Year ago
Dow Jones Ind. Div. Yield	2.18	2.21	2.20	2.48
	Aug 14	Aug 7	Jul 31	Year ago
S & P Ind. Div. yield	2.04	2.08	2.10	2.07
S & P Ind. P/E ratio	22.04	21.16	21.35	18.68

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	8,880,300	27¾	+¾
Hewlett Pk	8,442,300	41⅞	-1½
Ph Morris	6,350,000	88¾	-1⅜
RJR Nabisco	5,341,600	29⅝	-⅞
Cons Cigar	4,882,300	28¾	+6¾
Pepsico	3,928,400	31½	+¼
Glaxo Wel	3,682,700	28⅛	+⅜
Coca Cola	3,579,700	51⅜	+½
AT & T	3,138,700	55½	+¼
Exxon	2,738,500	82⅝	+1⅛

TRADING ACTIVITY

● Volume (million)

	Aug 16	Aug 15	Aug 14
New York SE	333.271	324.635	343.441
Amex	18.271	23.338	15.028
NASDAQ	430.114	469.461	441.961
NYSE			
Issues Traded	3,154	3,182	3,168
Rises	1,590	1,295	1,423
Falls	780	1,023	880
Unchanged	834	864	865
New Highs	116	94	88
New Lows	18	28	28

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	668.25	668.80	+0.70	668.80	667.75	57,738	174,352
Dec	674.30	674.65	+0.60	674.65	673.75	834	12,442

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Sep	20910.0	21170.0	+300.0	21190.0	20890.0	19,539	235,099
Dec	20950.0	21190.0	+290.0	21200.0	20910.0	1,092	20,861

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by ...) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.)

TOKYO - MOST ACTIVE STOCKS: Monday, August 19, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
TYK Corp	12.6m	1380	+80	Nomura Secs	2.9m	2040	+60
Mitsui Matushima	12.1m	690	+16	Maru	2.7m	2250	+10
ANA	6.6m	1140	+10	Rhythm Watch	2.5m	440	+16
Nichiboshin	5.4m	500	+80	Daiwa Secs	2.5m	1320	+30
Honshu Paper	4.7m	746	+6	Toyota Motor	2.4m	2640	+30

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calculated year high and low. x Dealings suspended. xd Ex dividend. sc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close August 19

NEW YORK STOCK EXCHANGE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close August 19

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
32⅛	22¾	SchwMaud x	0.60	1.9	15	128	u32⅛	32	32⅛	+⅛
20⅝	12	SciAtl	0.06	0.4	175	1712	14¼	13⅞	14	
21	17	Scotsman	0.10	0.5	11	115	20⅝	20½	20½	-⅛
47¾	38⅛	Scripps	0.52	1.2	25	68	44⅞	44½	44¾	+⅛
18⅛	13¼	ScudderNAsF	0.02	0.1		63	13⅝	13½	13⅝	
12⅞	11	ScudderNEsF	0.16	1.3		219	12¾	12½	12⅝	+⅛
20½	16	SeaCnB	0.17	0.9	25	8	18⅞	18¾	18¾	
16	15	SeaC1.4625	1.49	9.7		2	15⅛	15⅛	15⅛	
67¾	36⅛	Sgate			25	6061	52½	51⅝	52	+⅛
35⅛	30⅞	Seagrm	0.60	1.8	28	2140	34⅝	34⅛	34⅛	-⅛
26	17⅛	Seagull En	1.20	6.3	12	1040	19⅜	18¾	19⅛	+⅝
39	25	Sealed Air	0.64	1.7	25	189	39	37¾	37¾	-1¼
53⅞	38¼	Searsft	0.92	2.0	16	5004	46⅛	45⅝	45¾	-⅛
22⅞	19¼	SecCapS&I	1.24	6.0	19	810	20⅝	20¾	20¾	
13	11⅞	Seligm Sel x	0.84	6.8		30	12½	12⅜	12⅜	-⅛
23¾	13⅝	Sensormat	0.22	1.2	14	2825	18⅞	18¼	18½	-⅜
44⅜	29½	SequaA	0.60	1.4	50	93	43¾	43	43¾	+⅜
50¼	39	SequaB	0.50	1.0	38	12	u50¼	49⅞	50¼	
60¼	38⅞	ServCp	0.41	0.7	28	747	57⅞	57⅛	57¾	+⅛
23½	19½	SvMstr	0.68	3.0	14	318	22⅞	22¾	22⅞	
6¼	4½	ServMerch			10	1763	4⅞	4⅝	4⅞	+⅛
48¼	28½	SGSThm			7	570	38	37¾	38	-⅛
15¼	10⅝	Shaw Ind	0.30	2.0	38	885	15⅛	15	15⅛	-⅛
13½	10⅛	Shelby Wil	0.32	2.5	15	6	12¾	12¾	12¾	
89⅞	76⅝	ShellTr	3.26	3.7	18	57	88½	88¼	88½	+⅜
47⅞	39	ShwW	0.70	1.5	18	628	45½	45⅛	45¼	-⅛
13⅞	7⅞	Shoneys			10	370	9⅝	9¼	9⅝	
[illegible]										

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX PRICES

4 pm close August 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close August 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

US stocks mixed ahead of FOMC

Wall Street

US stocks turned in a mixed performance in quiet trading as markets awaited a decision on interest rates from today's meeting of the Federal Open Market Committee, *writes Richard Tomkins.*

At 1 pm the main indices were almost unchanged: the Dow Jones Industrial Average was up 5.18 at 5,694.63, the Standard & Poor's 500 was up 1.51 at 666.72, and the American Stock Exchange composite was up 1.11 at 557.25. NYSE volume was 177m shares.

One factor hindering the Dow was weakness in AT & T, which shed \$1¼ to \$54¼ after the company announced that its chief operating officer was leaving to join a start-up telecommunications venture. On the other hand, another Dow constituent, Coca-Cola, put on \$⅝ to \$52 on the weekend's news that PepsiCo's bottler in Venezuela, a key Pepsi market, had defected to Coke. PepsiCo, which is not a Dow constituent, fell \$1⅛ to \$30⅝.

Tobacco stocks, badly hit by a recent US jury award of damages against the industry, bounced back slightly off last week's lows: Philip Morris was up \$¼ at \$88⅞ and RJR Nabisco was up \$1 at \$28⅝. Toys "R" Us was up \$¼ at \$29 after reporting better than expected second quarter results.

Technology stocks were off a little in light trading, helping take the Nasdaq composite index down 1.49 to 1,132.16. But Netscape Communications was up \$⅝ to \$39¼ on reports that Microsoft had admitted to a glitch in its new Internet browser software, boosting the prospects for Netscape's product. Microsoft was off \$⅝ at \$123⅝.

Canada

Toronto continued to firm, the TSE 300 composite index rising 6.44 to 5,095.62 at noon as volume eased from 36.5m shares to 32.7m.

Bombardier B continued last week's climb, rising 20 cents to C\$19 in 396,000 shares after the company won a 16-plane jet order worth US\$320m from Mesa Air Group.

Mexico fails to build on intraday record high

An opening spurt in MEXICO CITY, which propelled *the IPC index to an* intraday record high of 3,372.94, was not sustained. By midsession the index was off 16.57 or 0.5 per cent at 3,344.52.

Investors had been encouraged by a better-than-expected GDP growth figure for the second quarter. On Sunday the finance ministry reported that second quarter GDP had risen by 7.2 per cent, against the same 1995 period.

● Morgan Stanley yesterday raised its rating on Mexico and forecast that the IPC index could gain another 10 to 15 per cent by the end of the year.

The US broker said that it was adding 2 percentage points to its Mexican portfolio, *lifting the allocation to* an overweight 33 per cent against a benchmark of 28 per cent. The broker felt that "interest in Latin America in general and in Mexico is increasing".

The switch was made out *of Peru, where the broker* reduced its position from an overweight 6 per cent to a neutral 4 per cent.

SAO PAULO was steady ahead of the expiry of options. At midsession the Bovespa index was off 383 at 63,146. Analysts considered that the outlook after options expiry was positive, and felt that Telebras would continue to lead the market.

EUROPE

Paris relaxed as politics hit Milan

Refreshed after its holiday but still relaxed, PARIS kept turnover light at FFr2.5bn, as the CAC-40 index rose 6.69 to 1,986.21.

Elf Aquitaine made FFr3.20 to FFr364.20, after reporting a 3.5 per cent rise in first-half sales on Friday.

Générale des Eaux put on FFr3 to FFr503 as it denied that it had asked some analysts to revise down their 1996 earnings forecasts. The group reiterated comments made by the chairman in June, when he said that he was hoping for a return to profit from a net loss of FFr3.6bn in 1995.

LVMH rose FFr18 or 1.7 per cent to FFr1,104, as expectations rose that the group's earnings would benefit from a rising dollar.

Elsewhere Lagardere put on FFr1.20 or 1 per cent to FFr125.20 as the market responded to news announced after the close on Friday that it had signed a joint venture, which had been signalled some months in advance, with British Aerospace of the UK.

Publicis, the advertising company, was up FFr10 or 2.7 per cent at FFr381 following its announcement that it was taking a 60 per cent stake in a Brazilian group. This came after it had revealed over the weekend that it was taking a 51 per cent stake in a Mexican advertiser.

TF1, the commercial broadcaster, went in the other direction, down FFr4 at FFr570 as data showed that it was losing market share.

MILAN was unsettled by politics as the communist party, which holds the balance of power in the lower house, suggested that the government had only a 50 per cent chance of surviving in office throughout the autumn.

The market, which was delayed at the opening by technical factors, closed with the Mibtel down 113 or 1.2 per cent at 9,545 and the Comit off 3.58 to 601.20.

The communists also suggested that the privatisation of Stet, to which they were opposed, could trigger a political crisis. Stet lost L22 to L4,700, Tim lost L65 to L3,135 but Telecom Italia rose L17 to L2,925.

Other leading blue chips were weaker, although traders felt that low volume was exaggerating the movements of a number of them. Eni lost 1 per cent to L6,670 and Montedison was off nearly 3 per cent at L980.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 19 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1653.03	1653.20	1652.06	1652.25	1652.18	1651.45	1650.66	1650.74
FT-SE Eurotrack 200	1718.78	1717.26	1717.15	1717.74	1716.61	1716.79	1714.66	1713.96

	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12
FT-SE Eurotrack 100	1649.44	1643.79	1638.62	1637.62	1633.63
FT-SE Eurotrack 200	1717.76	1707.83	1704.40	1701.66	1698.76

Base value 1000 (26/10/90): High/day: 100 - 1653.66; 200 - 1718.79 Low/day: 100 - 1650.41 200 - 1713.88. † Partial.

AMSTERDAM made steady progress and the AEX index advanced 3.43 to 560.85.

ING, the insurer, was the most heavily traded stock, losing 40 cents to Fl 54.80 on profit-taking after a good rise last week. The group was due to reveal its interim figures later this week, and after a healthy improvement from ABN Amro last Thursday, expectations were good. Forecasts from analysts were for profits of around Fl 1.50bn, compared to Fl 1.18bn in the same 1995 period.

Nutricia, the food group, was up Fl 7.70 at Fl 192.00 ahead of its own half year figures due out on Thursday, and Getronics advanced Fl 2 to Fl 39.50 as domestic investors bought solidly following better than expected first half figures from the computer services company, which were published last Thursday.

Among the multinationals, Unilever was strong, rising Fl 3.10 to Fl 241.80, while Royal Dutch added Fl 2 to FL 255.10.

FRANKFURT watched the dollar and bunds subside on second thoughts ahead of tomorrow's money supply figures, and Thursday's Bundesbank meeting. The broad equity market was unable to sustain last Friday's gains, and the Dax index fell 11.71 to an Ibis-indicated 2,566.25x.

Turnover fell from DM5.8bn to DM4.7bn. Banks and chemicals reacted to the debt market and currency influences: Commerzbank, down DM4.85 at DM349.65, also declined to comment on persistent speculation that it was discussing links with Bayernverien, off 45 pfg at DM51.90; and BASF, strong last week on its sales of subsidiaries, fell 37 pfg to *DM42.93.*

MADRID was weighed down by a weak Italy, and by a slide in its own market. Utilities, which led equities up last Friday, took them down again yesterday with the sector off 1.2 per cent and Iberdrola Pta45 or 3.9 per cent lower at Pta1,110. The general index lost 2.98 at 353.26 and turnover stayed weak at around Pta20bn.

COPENHAGEN set its fourth consecutive closing high, the KFX breaking through the 120 mark again, and staying there this time with a rise of 0.60 to 120.21 in turnover of DKr635m.

In a week peppered with banking results, the first of them, from BG Bank, produced better than expected profits and lifted the shares by DKr6 to DKr200.

TEL AVIV traders said that yields in the bond market were so high that equities, although extremely cheap, had nothing to offer. The Mishtanim index fell 3.39 or 1.9 per cent to 173.39 in turnover of Shk58m, against Shk55m on Sunday.

Written and edited by William Cochrane and John Pitt

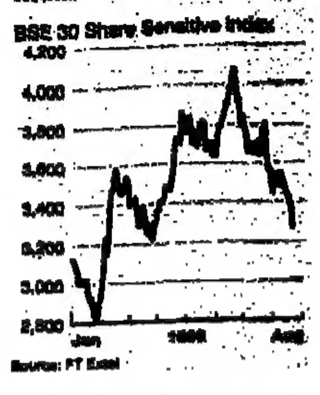
Bombay slides 3% more

Bombay continued its sharp post-election slide yesterday, tumbling amid declining market sentiment and selling by foreign institutional investors (FIIs), *writes Tony Tassell.*

The BSE 30 share index fell by 101.26 or 3 per cent to 3281.49 in its first day of trading in a recast form.

India

BSE 30 Share Sensitive Index



Source: FT Extel

Dealers said that the recast, which saw 15 former index constituents replaced by new stocks, accounted for about 40 points of the fall. The rest of the fall was due to moderate selling by FIIs and speculative short-selling by local traders.

The BSE 30 index has now fallen by 19.4 per cent since June 18; national elections were held in late May and early June. Between the end of January and early June, the index rose by about 30 per cent.

Brokers said a plethora of factors had dampened sentiment: a rush of global *depository receipt issues* by Indian companies; a lacklustre national budget last month; slowing earnings growth rates; selling by FIIs; the imposition of a minimum corporate income tax rate; proposals to introduce non-voting shares and an impending spurt of retail bond issues.

Mr R Venkatasubramanian, vice-president at brokers Kotak Mahindra, said there was likely to be further marginal pressure, and an index fall to between *3,150 and 3,200.*

ASIA PACIFIC

Nikkei average breaks through 21,000

Tokyo

Last Friday's rise in US shares and the dollar's strength against the yen took the Nikkei average through the 21,000 level for the first time in 10 trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 272.41, or 1.3 per cent, to 21,106.41 after trading between 20,827.77 and 21,152.73.

Volume totalled 273m shares against 214m; while sentiment had recovered, said traders, investors were likely to remain on the sidelines ahead of the US Federal Reserve's open market committee meeting.

The Topix index of all first section stocks rose 6.93 to 1,591.77 and the Nikkei 300 1.27 to 295.77. Advances led declines by 725 to 283 with 187 unchanged.

In London, the ISE/Nikkei 50 index rose 2.91 to 1415.62.

Technical activity dominated trading. The recovery in sentiment spurred short covering in the futures market which in turn prompted arbitrage-inked purchases.

Meanwhile, the rise in brokerage issues encouraged market participants, who saw the sector's rally as a leading indicator for the broad market. Foreign investors continued to buy the telecoms sector, and there was a recovery in speculative stocks.

Carmakers were higher on buying by domestic institutions. Toyota rose Y30 to Y2,640 and Nissan Y3 to Y850.

In telecoms-related issues, Matsushita Communication Industrial, the portable telephone maker, rose Y40 to Y3,080, and Fujitsu General added Y7 to Y955. NEC System Integration, the telecom engineering company, added Y20 to Y2,830. Among brokers, Daiwa Securities added Y30 to Y1,320, Nomura Y60 to Y2,040 and Nikko Y40 to Y1,200.

East Japan Railway fell Y25,000 to Y498,000 on worries over the auction of West Japan Railway (JR West). The government's plans to sell 1.7m shares in JR West ahead of its listing in October weighed on share prices as an increasing number of investors seem reluctant to take on the stock, said traders.

Individual investors sold telecom operators, which were bought by overseas investors last week. Nippon Telegraph and Telephone fell Y6,000 to Y812,000 and DDI, the long distance operator, lost Y5,000 to Y925,000.

In Osaka, the OSE average gained 119.62 to 22,020.23 in volume of 49.4m shares.

Roundup

TAIPEI worried that a visit by the vice-president to an unspecified country, possibly in Europe, might anger the mainland Chinese authorities.

The weighted index lost 181.11 *or 2.9 per cent to* 6,047.51, having staged a late rebound from a session low of 6,017.49. Turnover was T\$43.05bn.

China-concept shares (companies with investments or investment plans in China) led the falls, with Formosa Plastics down by its daily 7 per cent limit to T\$53 and Evergreen Marine T\$3 lower at T\$46.1.

The plastics, shipping, textile and steel sectors all fell by more than 3 per cent.

SYDNEY rose to its highest level in nearly three months ahead of today's budget announcement.

The All Ordinaries index gained 28.2 or 1.3 per cent to 2,261.5, in turnover of A\$581.6m.

Analysts forecast that the spending cuts which were expected to be announced by the government today should improve national savings, take pressure off interest rates and benefit equities.

Transport sector climbed 2.4 per cent and chemicals gained 3 per cent as a group.

BANGKOK fell 1.5 per cent in thin turnover as many investors either remained absent or sold holdings on worries about the government's stability.

Opposition parties were expected to submit a no-confidence motion later this week.

The SET index lost 16.40 to 1,087.48 in turnover of Bt2.8bn.

Siam Commercial Bank declined Bt6 to Bt242 and Siam Cement fell Bt40 to Bt872.

KARACHI sagged after the escalation of sectarian violence on Sunday.

The KSE 100 index lost 18.18 at 1,486.80 as the Sunni-Shia feuding claimed a reported 18 more dead, and nearly 70 injured after gunmen opened fire on a mourning meeting in the Punjab.

SEOUL fell amid growing fears of economic depression, with the composite index ending 10.17 lower at 800.52. Brokers said that heavy loans for margin trading helped depress market sentiment.

S. African industrials dip

Johannesburg equities were bearish, worried about interest rates, inflationary pressures, gang warfare in Cape Town last week and a renewed upsurge in crime reports in the city itself.

Industrials pared intra-day gains to end steady, up 2.3 at 7,738.8 as the rand took a knock *in the afternoon;* the overall index fell 5.9 to 6,521.5, with golds off 3.6 at 1,730.8.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	+0.20	+0.51	-1.07	+7.15	+2.96	+2.66
Belgium	+0.07	+2.65	+17.39	+7.83	+3.42	+3.14
Denmark	+1.38	+2.75	+13.20	+14.00	+9.71	+9.41
Finland	+0.93	+7.23	-15.32	+14.72	+11.53	+11.22
France	-0.50	-0.54	+3.84	+8.92	+4.69	+4.40
Germany	+0.56	+1.36	+11.77	+11.46	+7.11	+6.82
Ireland	+0.99	+4.61	+20.19	+12.36	+12.94	+12.63
Italy	+0.69	-2.13	-11.05	-0.63	+4.04	+3.76
Netherlands	+1.66	+3.45	+22.79	+14.53	+9.90	+9.60
Norway	+0.11	-0.44	+8.37	+9.37	+7.43	+7.13
Spain	+0.53	-0.22	+15.29	+11.34	+7.38	+7.08
Sweden	+0.23	+3.02	+14.70	+13.82	+13.90	+13.59
Switzerland	+0.45	+0.10	+25.98	+10.36	+5.09	+4.80
UK	+1.59	+4.29	+11.66	+5.61	+5.61	+5.31
EUROPE	+0.85	+2.13	+11.61	+8.66	+6.41	+6.11
Australia	+0.61	+3.64	+4.83	+0.27	+6.00	+5.70
Hong Kong	+0.63	+1.27	+21.34	+10.23	+10.51	+10.20
Japan	+0.93	-2.34	+8.49	-0.37	-4.47	-4.74
Malaysia	+0.31	-1.94	+4.20	+10.52	+12.82	+12.50
New Zealand	-0.54	+2.43	-2.95	-2.20	+3.39	+3.11
Singapore	-1.37	-3.61	+8.40	-5.03	-4.37	-4.64
Canada	+0.61	+1.72	+10.06	+8.96	+8.50	+8.20
USA	+0.53	+4.27	+18.54	+7.84	+8.14	+7.84
Mexico	+3.90	+8.83	+34.46	+21.13	+25.13	+24.78
South Africa	-2.50	-4.62	+14.32	+4.48	-16.10	-16.33
WORLD INDEX	+0.68	+1.82	+13.60	+6.04	+4.44	+4.15

† Based on August 16th 1996.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 16 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 15 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	200.87	0.7	192.35	136.99	165.96	170.37	0.3	4.29	199.41	190.66	136.04	164.01	169.85	212.18	177.98	178.99
Austria (24)	179.20	0.0	171.60	122.21	139.14	139.07	0.5	2.02	179.20	171.33	122.25	138.40	138.38	195.04	166.11	183.47
Belgium (27)	215.70	-0.1	206.55	147.10	167.48	163.67	0.4	4.07	215.91	206.44	147.30	166.76	163.04	217.62	186.05	186.71
Brazil (28)	181.10	0.2	173.42	123.51	140.61	337.71	0.3	1.69	180.67	172.75	123.26	139.54	336.79	189.70	123.97	146.50
Canada (118)	160.61	0.5	153.80	109.54	124.71	159.73	0.3	2.25	159.78	152.77	109.00	123.40	159.31	165.12	134.14	147.33
Denmark (30)	315.95	0.1	302.55	215.47	245.32	248.14	0.7	1.65	315.48	301.63	215.22	243.66	246.69	316.51	276.89	282.04
Finland (23)	208.08	-0.4	199.24	141.90	161.55	195.57	-0.1	2.56	208.87	199.70	142.49	161.32	195.58	276.11	171.73	253.45
France (96)	187.30	-0.5	179.36	127.74	145.43	149.91	0.0	3.22	188.28	180.02	128.45	145.42	149.91	196.39	167.70	182.14
Germany (58)	174.86	-0.6	167.44	119.25	135.77	135.77	-0.1	1.80	175.87	168.15	119.98	135.83	135.83	178.72	155.66	156.34
Hong Kong (59)	427.25	0.1	409.14	291.38	331.74	424.25	0.1	3.45	426.84	408.11	291.19	329.67	423.84	451.19	348.81	351.76
Indonesia (27)	184.49	0.5	176.66	125.82	143.24	265.23	0.5	1.79	183.62	175.57	125.27	141.82	263.93	-	-	-
Ireland (16)	287.78	0.1	275.56	196.26	223.45	252.38	0.1	3.45	287.41	274.80	196.06	221.98	252.18	290.82	235.89	235.92
Italy (68)	76.47	0.2	73.22	52.15	59.37	86.76	0.6	2.48	76.29	72.94	52.05	58.92	86.28	84.53	67.22	80.69
Japan (481)	147.59	-0.3	141.33	100.65	114.59	100.65	-0.3	0.76	148.04	141.55	101.00	114.34	101.00	164.56	137.75	150.20
Malaysia (107)	545.79	0.7	522.65	372.22	423.78	524.29	0.8	1.72	541.80	518.03	369.62	418.46	519.85	585.09	425.77	523.81
Mexico (19)	1292.43	1.9	1237.62	881.41	1003.50	10589.77	1.5	1.26	1268.27	1212.62	865.22	979.54	10414.54	1325.65	791.99	1166.25
Netherland (19)	298.90	0.1	286.22	203.84	232.08	228.54	0.6	3.18	298.63	285.52	203.73	230.64	227.18	299.69	245.79	246.96
New Zealand (15)	82.14	0.4	78.65	56.02	63.77	63.27	0.1	4.29	81.84	78.25	56.83	63.21	63.21	84.71	75.94	79.84
Norway (35)	247.78	0.2	237.27	168.98	192.39	218.93	0.7	2.09	247.39	236.53	168.77	191.07	215.42	256.94	222.24	226.65
Philippines (22)	201.90	0.5	193.34	137.69	156.76	263.57	0.5	0.62	200.82	192.01	137.00	155.10	262.15	-	-	-
Singapore (44)	388.34	0.0	371.87	264.84	301.52	252.10	-0.2	1.52	388.23	371.20	264.85	299.86	252.62	466.21	355.81	355.81
South Africa (44)	322.40	-0.4	308.73	219.87	250.33	320.80	-0.7	2.34	323.82	309.61	220.91	250.10	322.92	437.76	322.40	351.47
Spain (37)	176.89	0.4	169.39	120.64	137.34	169.04	0.7	3.46	176.26	168.52	120.24	136.13	167.91	183.85	145.15	154.03
Sweden (48)	354.50	-0.5	339.47	241.77	275.25	348.51	-0.3	2.45	356.14	340.51	242.96	275.06	349.66	360.77	280.96	281.65
Switzerland (37)	247.32	0.1	236.83	168.67	192.03	165.79	0.6	1.60	247.12	236.28	168.59	190.86	164.66	252.34	193.71	193.71
Thailand (48)	141.43	-1.0	135.44	96.46	109.82	138.81	-1.0	2.43	142.85	136.58	97.45	110.33	140.23	193.98	141.28	180.54
United Kingdom (199)	242.79	0.7	232.50	165.58	188.52	232.50	0.6	4.10	241.12	230.54	164.49	186.22	230.54	242.79	216.62	218.01
USA (625)	270.95	0.4	259.46	184.78	210.38	270.95	0.4	2.18	269.93	258.08	184.15	208.48	269.93	276.47	227.31	228.67
Americas (790)	247.72	0.4	237.22	168.94	192.35	208.32	0.4	2.17	246.75	235.92	168.33	190.57	207.58	252.43	208.66	209.73
Europe (706)	213.15	0.1	204.11	145.37	165.50	184.42	0.5	3.09	212.90	203.56	145.24	164.43	183.56	213.30	189.62	190.50
Nordic (136)	306.27	-0.3	293.20	210.24	239.36	264.83	0.0	2.33	309.16	295.59	210.91	238.77	264.90	309.16	261.18	271.30
Pacific Basin (880)	160.60	-0.2	153.88	109.59	124.77	111.91	-0.2	1.23	160.96	153.90	109.81	124.32	112.15	177.01	148.86	159.72
Euro-Pacific (1586)	182.42	0.0	174.69	124.41	141.64	139.28	0.1	2.13	182.46	174.47	124.49	140.93	139.12	190.57	166.61	172.45
North America (743)	264.16	0.4	252.96	180.15	205.11	263.54	0.4	2.18	263.16	251.60	179.52	203.24	262.56	269.52	222.38	223.54
Europe Ex. UK (507)	192.52	-0.2	184.16	131.16	149.32	157.11	0.3	2.52	192.70	184.24	131.48	148.83	156.69	194.96	169.65	171.39
Pacific Ex. Japan (399)	281.09	0.4	269.17	191.70	218.25	242.99	0.3	3.07	280.04	267.75	191.05	216.29	242.37	296.66	243.58	251.93
World Ex. US (1795)	183.63	-0.0	175.85	125.23	142.58	143.84	0.1	2.13	183.63	175.57	125.28	141.83	143.67	191.55	167.36	173.59
World Ex. UK (2221)	207.62	0.1	198.82	141.59	161.21	175.27	0.2	1.95	207.40	198.30	141.49	160.18	174.97	213.06	185.61	187.63
World Ex. Japan (1939)	245.03	0.3	234.64	167.10	190.25	231.90	0.4	2.54	244.31	233.59	166.67	188.69	230.41	247.55	212.62	213.18
The World Index (2420)	210.68	0.2	201.75	143.68	163.58	180.39	0.2	2.15	210.34	201.11	143.49	162.45	179.97	214.95	186.71	190.30

 PLEASE NOTE: Amendments to indices 15/8/96 applied to USA and related regional indices. CONSTITUENT CHANGE 16/8/96: Name change: Verbund to Oest Elektrizitaets (Austria). CONSTITUENT CHANGES WITH EFFECT 20/8/96: Addition: Thorn (Medium-Small Cap) (UK). Name change: Thorn EMI to EMI Group (UK). Sector change: EMI Group (461 to 472). Latest prices were unavailable for this edition. MARKET CLOSED 15/8/96: France.